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The impact of post-entry speed on International New Venture performance

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Abbreviations

CEO	chief executive officer
cf.	confer (compare)
CTO	chief technology officer
DC	dynamic capability
e.g.	exempli gratia (for example)
et al.	et alii (and others)
HR	human resources
ICT	information and communication technology
i.e.	id est (that is)
IE	international entrepreneurship
IK	internationalization knowledge
intl.	international
INV	international new venture
IRA	interrater agreement
IRR	interrater reliability
IT	information technology
KPI	key performance indicator
l.	line
LAN	learning advantages of newness
MNC	multinational company
NDA	non-disclosure agreement
ROS	return on sales
SME	small and medium-sized enterprise
TMT	top management team
p.	page
PES	post-entry speed
PTI	process theory of internationalization

TCD	time compression diseconomies
TMT	top management team
TUM	Technische Universität München
US	United States
vs.	versus
VC	venture capitalist

Abstract

This dissertation focused on shedding more light on the insufficiently understood performance implications of International New Venture (INV) internationalization by exploring the black box of contingent factors underlying this relationship. Based on case study research and an in-depth assessment of the internationalization patterns and performance outcomes of nine INVs, *post-entry speed* (PES) and *internationalization related capabilities* were uncovered to be key influential factors partially explaining the internationalization-performance-relationship.

Specifically, PES was found to be a potential source of venture growth, but also a driver of complexity and thus of potential inefficiencies. Moreover, the data revealed that several ventures responded to the emergent complexity by developing specific internationalization related capabilities. Based on a strong capability level, these ventures were able to cope with the internationalization induced complexity and to translate their high PES into performance benefits. Low PES firms and firms with a low capability level on the other hand seemed to struggle with complexity and ultimately benefited less from the international expansion. The data furthermore showed that the capability formation is influenced by the complexity aversion and prior startup internationalization experience of the entrepreneurial teams (i.e. the founders and key employees). Finally, the specific capabilities were found to not only facilitate coping with 'past' entries, but also considerably ease and foster subsequent entries.

Based on these findings, theoretical contributions with respect to research on the internationalization-performance-relationship and its contingencies as well as on the role and influence of both PES and internationalization related capabilities are derived. Moreover, practical implications for founders / managers and investors are derived.

Zusammenfassung

Ziel dieser Dissertation war es, mehr Klarheit in den bis dato unzureichend erfassten Zusammenhang zwischen der (frühen) Internationalisierung und den sich hieraus ergebenden Performance-Implikationen zu bringen. Im Fokus stand die Untersuchung wichtiger Einflussfaktoren auf diese Beziehung. Auf Basis einer multiplen Fallstudie wurden das Internationalisierungsverhalten und die sich hieraus ergebenden Konsequenzen für die Performance anhand von neun jungen Unternehmen detailliert analysiert. Die *Internationalisierungsgeschwindigkeit* (nach dem ersten Markteintritt) sowie *spezifische*, für die Internationalisierung relevante *Fähigkeiten* wurden als besonders wichtige, den Internationalisierungs-Performance-Zusammenhang teilweise erklärende Einflussfaktoren identifiziert.

Konkret wurde gezeigt, dass die Internationalisierungsgeschwindigkeit eine potenzielle Wachstums-Quelle, aber auch ein Komplexitätstreiber ist. Weiterhin wurde erkannt, dass mehrere im Rahmen dieser Dissertation analysierte Startups auf die sich bildende Komplexität reagierten und spezifische, internationalisierungsbezogene Fähigkeiten entwickelten. Startups, die ein hohes Niveau dieser spezifischen Fähigkeiten erreichen konnten, gelang es, die aufgrund der (schnellen) Internationalisierung entstehende Komplexität zu bewältigen und Performance-Vorteile daraus zu ziehen. Langsam internationalisierende Startups oder Firmen, welche ein geringes Niveau bezüglich dieser spezifischen Fähigkeiten erreichten, schienen mit der Komplexität Probleme zu haben und konnten letztendlich deutlich weniger von der Internationalisierung profitieren. Die Daten indizierten weiterhin, dass die Entwicklung der spezifischen Fähigkeiten stark von den vorhergehenden Erfahrungen der Gründer / Mitarbeiter mit der Internationalisierung von Startups sowie von der Komplexitätsaversion der Hauptentscheidungsträger beeinflusst wird. Letztlich wurde erkannt, dass die spezifischen, internationalisierungsbezogenen Fähigkeiten nicht nur das Meistern bereits getätigter Markteintritte erleichtern, sondern auch den Eintritt in neue Märkte fördern.

Auf Basis dieser Erkenntnisse konnten theoretische Beiträge zur Internationalisierungs-Performance-Beziehung, der Rolle von Internationalisierungsgeschwindigkeit und zu spezifischen internationalisierungsbezogenen Fähigkeiten abgeleitet werden. Weiterhin ergaben sich praktische Implikationen für Gründer / Manager und Investoren.

1 Introduction

> "The implications of this new [global] reality are significant. For entrepreneurs, it means greater opportunity combined with greater risk. The greater complexity of these new businesses increases the management challenge facing entrepreneurs while simultaneously making success more rewarding. Dealing with the complexities of international operations, cultural differences, and networks of alliances requires a set of special skills in addition to the well-documented and complex skills of a domestic entrepreneur" (Karra & Phillips, 2004).

Early research on the internationalization process of firms was dominated by the *process theory of the internationalization* (PTI), proposed by Johanson and Vahlne in 1977. This model conceptualized internationalization as a gradual process in which firms tend to enter foreign markets only after having operated in their home country for an extended period of time. When initiating the international expansion, firms proceed in a gradual, step by step manner in terms of market selection (moving from close to more distant markets) and entry mode choice (moving from small to higher commitment modes). This gradual internationalization is facilitated by the step-wise accumulation of experience, knowledge and resources in foreign markets.

However, with the increasing globalization of markets, referred to as "new reality" in the opening quote by Karra and Phillips (2004), more and more ventures began to challenge the paradigm of a slow and gradual internationalization. Attracted by the (potentially) highly rewarding growth opportunities that increasingly global markets offer, these ventures decided to expand internationally from or close to inception. Journalists and scholars began pointing out this phenomenon in the 1990s (Mamis, 1989; OECD, 1997; Oviatt & McDougall, 1994; Rennie, 1993) and in 1994, Oviatt and McDougall proposed an alternative theoretical model reflecting these new observations. The authors introduced the concept of *international new ventures* (INVs), defined as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (p. 49). Proponents of the INV theory suggest that these ventures and their founders possess certain characteristics (e.g. prior experience and an entrepreneurial mindset) that, coupled with changes in the external environment (e.g. an increasing globalization and reduced transaction costs) enable them to expand rapidly despite being resource-constrained and despite lacking incrementally built experiential knowledge (Autio, 2004; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Sapienza, Autio, George, & Zahra, 2006).

The seminal article by Oviatt and McDougall (1994) triggered a large stream of research on the INV phenomenon and its antecedents and performance implications (Jones, Coviello, & Tang, 2011; Keupp & Gassmann, 2009; Rialp, Rialp, & Knight, 2005). Scholars placed a particular focus on exploring the *antecedents* of early international expansion and identified a broad range of individual level factors (e.g. a global mindset and an international entrepreneurial orientation), firm level factors (e.g. the organizational structure or specific capabilities) and supra-organizational factors (e.g. knowledge intensity and network) that enable these young ventures to expand internationally from or close to inception (Jones & Coviello, 2005; Oviatt & McDougall, 2005; Rialp et al., 2005; Weerawardena, Mort, Liesch, & Knight, 2007; Zucchella, Palamara, & Denicolai, 2007)[1]. Since internationalization is not only an outcome but also "a condition for value creation" (Autio, 2004, p. 15), scholars have tried to understand the *performance implications* of young venture internationalization (Carr, Haggard, Hmieleski, & Zahra, 2010; Kuivalainen, Sundqvist, & Servais, 2007; Sapienza et al., 2006; Zhou & Wu, 2014).

1.1 Performance implications of new venture internationalization

Besides explaining what motivates young ventures to enter international markets, research has explored the implications of early international expansion for venture performance. Intriguingly, scholars took different perspectives on this subject. Some researchers focused on the beneficial impact of early venturing abroad and emphasized both the *economic value* (e.g. an increased sales potential or cost savings based on economies of scale and factor cost advantages) (Autio, Sapienza, & Almeida, 2000; Contractor, 2007; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005) and the *learning related benefits* (i.e. the accumulation of knowledge, formation of specific capabilities and conversion towards a more dynamic culture) (Autio, George, & Alexy, 2011; Autio et al., 2000; Sapienza et al., 2006; Yeoh, 2004; Zahra, Ireland, & Hitt, 2000). Others placed emphasis on the potential *threats* that early internationalization entails such as coping with uncertainty and complexity, investing in routine creation and reconfiguration and overcoming the liabilities of newness, smallness and foreignness (Carr et al., 2010; Lu & Beamish, 2006; Sapienza et al., 2006; Sleuwaegen & Onkelinx, 2014; Verdier, Prange, Atamer, & Monin, 2010). Not surprisingly, scholars therefore came to different conclusions regarding the overall performance outcomes (Hsu, Chen, & Cheng, 2013; Kuivalainen et al., 2007; Vermeulen & Barkema, 2002; Wagner,

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[1] For a detailed review see chapter 2.1.1.

2004). For example, with respect to the impact of early internationalization on firm growth, some scholars reported a positive relationship (Autio et al., 2000; Carr et al., 2010; Lu & Beamish, 2006; Sapienza et al., 2006; Zhou & Wu, 2014; Zhou, Wu, & Barnes, 2012), while others found no empirical support for a positive relationship (Aspelund & Moen, 2005; Bloodgood, Sapienza, & Almeida, 1996; Brush, 1992; Khavul, Pérez-Nordtvedt, & Wood, 2010). Similarly inconclusive results were reported for the impact on other key performance variables such as profitability or survival[2].

These contradictory results were confirmed and underlined by many researchers (Hsu et al., 2013; Kuivalainen et al., 2007; Morgan-Thomas & Jones, 2009; Prange & Verdier, 2011; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Verdier et al. (2010) stated that "literature on the relationship between internationalization and performance has not achieved consensus" (p. 19) and Kuivalainen et al. (2007) emphasized that findings for INV internationalization "are contradictory or ambiguous" (p. 254) and that "this ambiguity in the relationship between internationalization […] and performance again stems from the conceptual confusion" (p. 254).

In order to shed more light on the empirical and conceptual confusion regarding the relationship between new venture internationalization and performance, several scholars proposed to focus on the "‚‚black box'' in the middle" (Wagner, 2004, p. 448) and to explore the potential contingencies of this relationship (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Bloodgood et al. (1996) emphasized "that early internationalization is neither uniformly good nor uniformly bad" (p. 74) but that the beneficial impact is dependent upon contingent factors and that "[i]t remains a significant research challenge to articulate and test these contingencies" (p. 74). In the same vein, Vermeulen and Barkema (2002) suggested that the contingencies of the internationalization-performance-relationship "at present are insufficiently understood" (p. 637) and Wagner (2004) confirmed that "by adopting a contingency perspective (i.e., by searching for moderators and mediators), future researchers could simultaneously provide more conceptual depth on two important elements: (1) the performance implications of international expansion and (2) the black box of the internationalization–performance link, which is assumed to exist but has yet to be addressed" (p. 458). Finally, Carr et al. (2010)

[2] For a detailed review see chapter 2.1.2.

underlined that the "factors moderating the outcomes of internationalization have not received systematic analysis" (p. 183).

1.2 Contingencies of the INV internationalization-performance-relationship

Several factors have been proposed to partly explain the relationship between new venture internationalization and performance. For example, characteristics of the founders / managers such as managerial experience (Sapienza et al., 2006) and entrepreneurial orientation (Sapienza, Autio, & Zahra, 2003) and venture characteristics such as company age at first international entry (Autio et al., 2000; Sapienza et al., 2006; Sapienza et al., 2003), knowledge intensity (Sapienza et al., 2003) and resource fungibility (Sapienza et al., 2006) were discussed to be influential factors in this context.

While these studies have substantially contributed to our understanding of potential contingencies of the internationalization-performance-link, they have not sufficiently explained the inconsistent results yet (Bloodgood et al., 1996; Carr et al., 2010; Kuivalainen et al., 2007; Prange & Verdier, 2011).

The purpose of this dissertation is shedding more light on the conceptual and empirical confusion regarding the performance implications of early internationalization and thus to address a major gap in extant INV research. In line with aforementioned research calls, a contingency perspective will be adopted and a focus will be placed on exploring key factors potentially influencing and (partially) explaining the "black box of the internationalization–performance link" (Wagner, 2004, p. 458). A particular focus will be placed on two factors that emerged from the data to be of key importance for explaining the performance impact: (i) the *post-entry speed* at which ventures expand internationally and (ii) specific *internationalization related capabilities* ventures possess or form. In the following, these two factors and their interrelation with INV internationalization and performance will briefly be introduced.

Post-entry speed (PES) can be defined as "*the pace of international expansion of a new venture once it has become an INV"* (Prashantham & Young, 2011, p. 277). Extant research suggests that PES is an essential factor for shedding light on the internationalization-performance-relationship (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Kuivalainen, Saarenketo, & Puumalainen, 2012; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004; Welch & Paavilainen-Mäntymäki, 2014). For example, Prashantham and Young (2011) stated that PES is "particularly critical for the long-term growth and success or failure of knowledge- and technology-intensive INVs" (p. 277) and they add: "Internationalizing too slowly may mean lost growth opportunities but internationalizing too rapidly could be fatal" (p. 285). In the same way, Casillas and Acedo (2013) point out that PES is "one of the most important concepts for gaining a true understanding of how internationalization processes develop" (p. 16) that, as they added, "should be considered as an important determinant of performance" (p. 25). Finally, Vermeulen and Barkema (2002) underline that, "[a]lthough it has long been recognized that organizations face constraints with respect to their growth and development […], little research has directly examined how different rates and patterns of expansion may result in performance differences between firms" (p. 637).

Surprisingly, while the importance of PES for the internationalization process and its performance outcomes has been frequently emphasized, research on this topic has been very limited so far (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2007; Prashantham & Young, 2011; Sleuwaegen & Onkelinx, 2014; Welch & Paavilainen-Mäntymäki, 2014). The few papers in this context mostly assume that high PES has an increasingly negative influence on profitability (Jiang, Beamish, & Makino, 2014; Vermeulen & Barkema, 2002), cost efficiencies (Wagner, 2004), survival chances (Jiang et al., 2014; Sleuwaegen & Onkelinx, 2014) and sales growth (Verdier et al., 2010). The underlying rationale behind the negative performance implications is the increasing level of *complexity* induced by high PES. As these authors underline, the internationalization is an uncertain and complex endeavor and each foreign market entry triggers complexity both related to external factors (e.g. country particularities such as foreign cultures, social and institutional settings) and internal factors (e.g. required adaptations in structures and processes and coordination efforts with foreign entities) the venture has to cope with (Jiang et al., 2014; Sapienza et al., 2006; Sapienza et al., 2003; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). However, as Vermeulen and Barkema (2002) pointed out, "the capacity of a firm to expand and absorb new experiences is limited" (p. 638) and consequently handling the overall complexity, implementing required adaptations and "learning how to operate in a variety of foreign settings cannot endlessly be compressed in time" (p. 638)[3]. More specifically, due to ventures' limited absorptive capacity (Cohen & Levinthal, 1990) and the resultant limited capacity to cope with complexity, an increase in PES and thus in complexity is suggested to

[3] The authors refer to Penrose (1959) and Cohen and Levinthal (1990) for the limited absorptive capacity and to Dierickx and Cool (1989) for the limited ability to compress learnings in time.

yield *time compression diseconomies* (TCD), defined as "inefficiencies that occur when things are done faster" (Jiang et al., 2014, p. 115)[4]. These PES and complexity induced inefficiencies are ultimately proposed to translate into negative performance implications (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004).

Interestingly however, **learning / capability theory** takes a different perspective and suggests that complexity arising from fast international expansion might not only have a deteriorating impact on venture performance. Extant research revealed that ventures respond to the complexity and uncertainty triggered by international expansion by forming *capabilities* (Autio et al., 2011), that is by configuring and deploying their resources and "using organizational processes, to effect a desired end" (Amit & Schoemaker, 1993, p. 35). As Autio et al. (2011) suggested, the uncertainty, "ambiguity, variability, and complexity" (p. 14) triggered by the international expansion has a highly positive influence on the formation of organizational capabilities that enable and facilitate the continued internationalization. Moreover, INV research suggests that, due to the absence of extant routines, early internationalizing ventures enjoy learning advantages of newness (LAN) that enable them to quickly learn in international markets and form capabilities according to market feedback and experiences gathered (Autio et al., 2000; Knight & Cavusgil, 2004; Sapienza et al., 2006).

Not surprisingly scholars from the field of INV (but also process theorists) underlined the uttermost importance of considering capabilities as an influential factor for the internationalization-performance-relationship (Knight & Cavusgil, 2004; Kuivalainen, Puumalainen, Sintonen, & Kyläheiko, 2010; Prange & Verdier, 2011; Rialp et al., 2005; Vermeulen & Barkema, 2002; Zhou & Wu, 2014). For example, Rialp et al. (2005) suggest that the "organizational capability perspective could, in our opinion, constitute one of the most promising theoretical frameworks from which to explain and interpret not only the emergence of early internationalizing firms but also its further development in the form of a rapid and sustained international growth" (p. 162) and, explicitly linking capabilities to the internationalization induced complexity, Vermeulen and Barkema (2002) proposed that the degree to which ventures can benefit from the internationalization "is constrained by their capacity to handle and absorb the complexities that accompany international expansion" (p. 639).

[4] For their definition of time compression diseconomies, Jiang, Beamish, and Makino (2014) build on the work by Dierickx and Cool (1989).

But despite this strong emphasis on the importance of capabilities for venture internationalization, for coping with the associated complexity, and for achieving superior (international) performance, scholars so far only provided limited insights into the specific capabilities relevant in this context. In particular, scholars did not uncover which capabilities ventures need to develop in order to cope with the internationalization related complexity – and thus how capabilities might be interrelated with TCD (i.e. inefficiencies resulting from venture's limited ability to cope with complexity). Moreover, only one study considered the concept of learning when analyzing PES and its performance implication so far (Sleuwaegen & Onkelinx, 2014). Interestingly, although the authors of this study only referred to the concept of LAN, but did not explore the resultant learning process and / or capability formation, they are the only researchers proposing that PES has a *positive* impact on performance (here sales growth).

Summing up, extant research revealed that the *internationalization-performance-relationship* is insufficiently understood and even described as a "black box" (Wagner, 2004, p. 458). To shed more light on the conceptual and empirical inconsistencies, scholars suggested to adopt a contingency perspective and to focus on influential factors and their potential explanatory role.

1.3 Overview on key contributions of this dissertation

Following above-mentioned suggestions, this dissertation focuses on exploring key contingent factors explaining the internationalization-performance-link. Based on case study research and an in-depth assessment of the internationalization behavior and performance outcomes of nine INVs, this research uncovered PES and internationalization related capabilities to be key influential factors partially explaining the internationalization-performance-relationship. Moreover, it explored how PES affects capability formation, how the capabilities influence each other, and how additional factors influence the effect of PES on capabilities. More specifically, the following contributions are made:

Firstly, this research contributed to a better understanding of the relationship between venture internationalization and performance by investigating the ""black box" in the middle" (Wagner, 2004, p. 448), that is, the contingencies to this relationship. Extant research revealed that the internationalization-performance-relationship is subject to considerable conceptual and empirical confusion (Hsu et al., 2013; Prange & Verdier, 2011; Vermeulen & Barkema, 2002) and called for more research and particularly for a contingency perspective, that is for a focus on moderating or mediating factors, to shed more light on the relationship (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). This dissertation extends current research on the internationalization-performance-relationship and its contingencies by uncovering how these variables are interrelated, and which factors influence this interrelation. In line with abovementioned calls for more in-depth research on this subject, it explored the contextual and temporal factors behind superior international performance and uncovered *post-entry speed* of venture international expansion and *internationalization related capabilities* to be key contingent factors (partially) explaining the internationalization-performance-relationship.

Secondly, by exploring the role and importance of PES in the context of INV internationalization, this research contributes to a better understanding of PES as a key factor underlying the internationalization process and its performance outcomes. While extant research conceives firm internationalization as a dynamic process and identified time as a central factor for understanding the internationalization process and its performance implications (Casillas & Acedo, 2013; Eden, 2009; Jones & Coviello, 2005), scholars so far mostly focused on the initial entry speed (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2012; Prashantham & Young, 2011). However, *post-entry speed*, that is the subsequent dynamic internationalization process and "*how* the process develops over time [remains] quite underresearched" (Casillas & Acedo, 2013, p. 26). Moreover, although the rate of international expansion should have a particularly critical impact on the performance and survival of young, resource constrained ventures (Prashantham & Young, 2011), only two articles (Sleuwaegen & Onkelinx, 2014; Verdier et al., 2010) explored the impact of PES in the INV context so far. These articles are both based on quantitative studies and focused explicitly on the direct effects of age and PES on performance. While this approach has contributed to a better understanding of the PES-outcome-relationship, it does not explore *how* PES is interrelated with INV internationalization and what dynamic mechanisms and contingencies are influencing this relationship.

This dissertation tries to fill this gap by using a qualitative approach to get a deeper understanding of the PES-INV internationalization-relationship and to identify the underlying contingencies and dynamic processes which are hard to capture in quantitative studies. Based on case study research, it explored the internationalization behavior of nine INVs and uncovered *how* PES impacted the internationalization process and its outcomes of nine INVs. The dissertation revealed that PES drives complexity, and through this triggers the formation of specific internationalization related capabilities and ultimately impacts ventures' performance as well as the subsequent internationalization pattern. In total, the qualitative data allowed to go beyond the sheer testing of outcomes and extends the research by Sleuwaegen and Onkelinx (2014) and Verdier et al. (2010) by uncovering the contingencies and dynamic relationships behind PES and its interrelation with venture internationalization. The findings moreover underline the high importance of putting more focus on PES (and not only the initial entry speed) when analyzing the internationalization behavior of INVs.

Thirdly and related, this research not only uncovered PES to be an important factor for venture internationalization and performance, it also revealed *how* PES influences the performance outcomes and thus which dynamic mechanisms explain and underlie this relationship. The little extant research on the performance implications mostly builds on the TCD concept and assumes that, due to the complexity triggered by each market entry and due to venture's limited ability to cope with this complexity, PES has an increasingly negative influence on venture performance (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). On the other hand, learning and capability research revealed that the internationalization related complexity also has positive implications in that it triggers the formation of capabilities (Autio et al., 2011; Kuivalainen et al., 2007). Moreover, INV research suggests that young ventures possess learning advantages of newness and are thus particularly strong in forming capabilities.

This dissertation contributes to a more comprehensive understanding of the performance implications of PES by exploring the impact of both TCD and learning / capability formation on this relationship. The very little extant research in this context so far only applied these concepts in isolation (and only one paper considered the concept of learning in the context of PES at all). However, as the data revealed, TCD and learning / capability formation are highly interrelated. While some ventures struggled with the PES induced complexity, other ventures were found to form specific internationalization related capabilities which enabled them to handle the complexity faced and to avoid or at least minimize inefficiencies and thus negative performance consequences. These capabilities were moreover found to foster the subsequent internationalization and to reduce the complexity resultant from additional entries. In total, this dissertation extends extant research on the performance implications of PES by uncovering how this relationship is impacted by both TCD and learning / capability formation. While scholars so far only analyzed these two concepts in isolation, this explorative research uncovered that (and how) TCD and learning / capability formation are highly interrelated and that both concepts (and their dynamic interrelations) need to be considered to get a comprehensive understanding of the PES-performance-link.

Fourthly, this research provided additional insights into capability formation by shedding more light on how internationalization related complexity translates into capabilities. Extant research suggests that internationalization related complexity triggers the formation of capabilities (Autio et al., 2011). However, this research uncovered that capability formation is not an automatism but dependent upon *entrepreneurial teams' complexity aversion*. While teams (i.e. founders and key employees) with a low aversion interpreted complexity to be a motivating force to initiate change and to further improve the extant capability set, teams with a high aversion perceived it to be a negative, *demotivating influence,* and consequently responded by actively slowing down the international expansion (but did not refine their capabilities). Moreover, this research uncovered that a venture's initial capability level, and thus its initial ability to handle the internationalization related complexity is influenced by a specific type of prior experience so far not discussed in research, namely *entrepreneurial teams' prior startup internationalization experience*. In addition, the research revealed that capabilities are *interrelated* such that certain well-developed capabilities supported the development of other capabilities. Overall, this dissertation contributes to a better understanding of capability formation in the context of international venturing and provided important additions to the current research on this subject. It uncovered and conceptualized entrepreneurial teams' complexity aversion as a key influential factor of capability formation, identified prior startup internationalization experience to have a major impact on the initial level of internationalization related capabilities, and investigated the dynamic interrelations between capabilities and the influence of certain capabilities on the formation of others.

Finally, this dissertation contributes to extant capability research by uncovering and exploring specific capabilities ventures need to form or possess in order to cope with internationalization related complexity and to translate (rapid) international expansion into strong performance. While extant research underlined the key importance of capabilities for venture internationalization, for coping with the associated complexity, and for achieving superior (international) performance (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kuivalainen et al., 2010; Sapienza et al., 2006; Weerawardena et al., 2007), it only provided limited insights into the specific capabilities relevant in this context. The question how capabilities interrelate with complexity and / or influence the performance outcomes of a fast-pace international expansion has not been explored so far. This dissertation addressed these research gaps. It uncovered four specific sets of capabilities ventures developed in order to master a fast-pace international expansion and to cope with the resultant complexity – *internationalization process capabilities, organizational adaptation capabilities, capabilities to leverage external supporters* and *capabilities to leverage foreign distributors*. Moreover, it contributes to the clearer conceptualization of these specific capabilities – and to a better understanding of *how* they interact with PES, complexity and ultimately performance and what dynamic mechanisms are underlying these interrelations.

The following chapters will guide the reader towards the specific findings outlined above. The remainder of this dissertation will be structured as follows:

- Chapter 2 will introduce the reader to the theoretical foundations of this study, more specifically to the theory on young venture internationalization (chapter 2.1), on time and venture internationalization (chapter 2.2) and on internationalization related capabilities (chapter 2.3).
- Chapter 3 will present the research design used in this dissertation and will provide details on the research strategy (chapter 3.1) and research method (chapter 3.2) selected, the quality criteria guiding this study (chapter 3.3), details on the Go Global study based on which this dissertation has been executed (chapter 3.4), the overall research process (chapter 3.5) as well as the underlying sampling and case selection (chapter 3.6), data collection (chapter 3.7) and data analysis (chapter 3.8).
- In Chapter 4, the variables used in this dissertation will be defined and described (chapter 4.1). Moreover, the within-case analysis, composed of a detailed description and standalone analysis of each case, will be provided (chapters 4.2-4.10).
- Chapter 5 presents the cross-case analysis, in which all cases are contrasted along the different variables identified and in which propositions are derived.
- In Chapter 6, the findings derived from the detailed analysis will be synthesized and the theoretical model will be presented (chapter 6.1). Moreover, the contributions of this research to extant literature will be discussed (chapter 6.2) and the practical implications will be presented (chapter 6.3).
- Lastly, chapter 7 will describe the limitations of this study (chapter 7.1), will suggest promising avenues for future research and provide a conclusion (chapter 7.2).

2 Theoretical foundations

This section will introduce the reader to the theoretical context in which this dissertation is embedded: (i) Young venture internationalization, (ii) time and venture internationalization and (iii) internationalization related capabilities. Although this study followed an inductive approach (cf. chapter 3.1), presenting the theoretical background before moving to the empirical work seems to be necessary in order to facilitate the readability and traceability for the reader (Eisenhardt, 1989). Thus, a (non-comprehensive) overview on the relevant literature streams will be provided hereafter.

2.1 Young venture internationalization

Early research on the internationalization process of the firm was dominated by the *process theory of the internationalization* (PTI), proposed by Johanson and Vahlne in 1977. This theory, also referred to as Uppsala or stage-change model, was originally developed to explain the internationalization path of Swedish manufacturing firms. It conceptualizes the internationalization as a gradual process wherein firms first need to acquire the necessary experience, knowledge and resources before being able to gradually increase their international presence. According to this model, firms will thus start the internationalization relatively late in their life cycle and initially focus on physically close countries as well as low-commitment entry modes (e.g. exporting) in order to keep the uncertainty and complexity as low as possible. Only after having learned how to operate in these countries and thus having gained sufficient experiential knowledge will these firms then slowly and gradually increase their commitment to foreign markets. Step by step will they expand to more distant countries and / or apply more committed entry modes (e.g. own subsidiaries) (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990).

In the 1990s, both journalists and scholars pointed towards the increasing number and importance of firms that internationalized from or close to inception (Mamis, 1989; OECD, 1997; Oviatt & McDougall, 1994; Rennie, 1993) and claimed that the traditional PTI model is unable to explain this phenomenon (Oviatt & McDougall, 1994). These young firms seemed to skip the incremental steps which are necessary according to the traditional model for experiential learning and expanded internationally despite possessing low levels of resources and knowledge (Oviatt & McDougall, 1994). They thus challenged the assumption by Johanson and Vahlne (1977) that internationalization will proceed in a stepwise manner because experiential knowledge is the most important determinant of international expansion (Autio, 2004; Blesa, Monferrer, Nauwelaerts, & Ripollés, 2008; McDougall & Oviatt, 1996).

Based on these observations, Oviatt and McDougall (1994) proposed an alternative theoretical model and introduced the concept of *international new ventures* (INVs), defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (p. 49). Scholars advocating the INV concept do not see internationalization as a linear, time-consuming process which is determined by the stepwise acquisition of experiential knowledge. Instead, they propose that INVs and their founders possess certain characteristics such as prior knowledge and experience, specific entrepreneurial competences (e.g. proactiveness and an entrepreneurial mindset) and a flexible, alternative organization structure, which enable these young firms to expand rapidly despite lacking resources and firm level experience required according to PTI (Autio, 2004; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Sapienza et al., 2006).

The seminal article by Oviatt and McDougall (1994) triggered a large stream of research on the INV phenomenon, gave rise to international entrepreneurship (IE) as a new field of research and inspired the creation of various special issues and even a new journal dedicated to this field (Autio, 2004; Prashantham & Young, 2011). The high interest in this topic is also well-reflected by several reviews on the state of research. While Rialp et al. (2005) identified and reviewed 38 articles on IE between 1993 and 2003; Keupp and Gassmann (2009) already included 179 articles in their review of IE research between 1994 and 2007 and Jones et al. (2011) even counted 323 articles on IE from 1989 to 2009. Moreover, the review by Keupp and Gassmann (2009) revealed a steady growth in the number of articles on this subject over time.

Despite this high research attention, there is still no consensus on the exact terminology and specific criteria describing and defining early internationalizing ventures (Gabrielsson, Kirpalani, Dimitratos, Solberg, & Zucchella, 2008; Jones et al., 2011; Zahra, 2005). Scholars use alternative terminologies such as born globals (Aspelund, Madsen, & Moen, 2007; Autio et al., 2000; Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rennie, 1993), global start-ups (Oviatt & McDougall, 1995), or international ventures (Kuemmerle, 2002) when referring to early internationalizing firms – and most scholars use these terms interchangeably (Kuivalainen et al., 2007; Rialp et al., 2005). Furthermore, scholars deviate on the criteria and exact values defining these ventures. Rennie (1993) initially suggested that these ventures should start exporting within the first two years after inception and should achieve an export share of at least 25 percent. However, most scholars propose less strict criteria and values.

Many use a time span of three years (Coviello, 2006; Knight & Cavusgil, 2004; Knight, Madsen, & Servais, 2004; Madsen & Servais, 1997; Zucchella et al., 2007) or even six years (Shrader, Oviatt, & Phillips McDougall, 2000; Zahra et al., 2000) within which early internationalizing ventures should have made their first international entry. With regard to the proportion of international sales cutoffs of at least 20 percent (Zhou, Barnes, & Lu, 2010), or five percent have been used (McDougall, 1989; Zahra et al., 2000) – some even state that 'any' international sales are sufficient (McDougall, Oviatt, & Shrader, 2003; Shrader et al., 2000).

This study adopts the terminology initially proposed by Oviatt and McDougall (1994). Hence, it focuses on INVs – that is ventures that "from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt & McDougall, 1994, p. 49). They will be distinguished from other internationalized firms in that they initiated internationalization within three years after foundation and generate at least ten percent of international sales (see chapter 3.6 for details on the sampling criteria).

Research has tried to understand the phenomenon of new venture internationalization. Two main research streams have emerged: (i) Research on the antecedents of early internationalization and (ii) research on the performance implications. In the following, a brief overview on these two areas will be provided.

2.1.1 Antecedents of early internationalization

The steady increase in the number of early internationalizing firms prompted many researchers to focus on exploring the drivers underlying this phenomenon (Acedo & Jones, 2007; Carr et al., 2010; Keupp & Gassmann, 2009; Weerawardena et al., 2007; Zucchella et al., 2007). This focus yielded a rich body of both conceptual and empirical research on the individual level, firm level and supra-organizational level factors, which will briefly be reviewed.

Individual level factors

The importance of the entrepreneur and the impact of personal characteristics, prior experience and specific competences has been the focus of many studies (Jones & Coviello, 2005; Nummela, Saarenketo, & Puumalainen, 2004; Oviatt & McDougall, 2005; Zucchella et al., 2007). Scholars have identified personal characteristics and attitudes such as a *global / geocentric mindset* (Nummela et al., 2004; Weerawardena et al., 2007), a strong *(international) entrepreneurial orientation* (Kuivalainen et al., 2007; Weerawardena et al., 2007) and, related, a high *risk tolerance* (Acedo & Jones, 2007; Jones & Coviello, 2005), *proactivity* (Acedo & Jones, 2007), *tolerance for ambiguity* (Acedo & Jones, 2007) and *innovativeness* (Jones & Coviello, 2005) and, finally, a high *learning orientation* (Weerawardena et al., 2007) to be important antecedents. Moreover, scholars emphasized the importance of prior experience, that is prior *international experience* (Weerawardena et al., 2007; Zucchella et al., 2007), *international work experience* (Nummela et al., 2004) and *prior work experience* (Zucchella et al., 2007). In addition, Jones and Coviello (2005) underlined the importance of *managerial competences*. Finally, the networks entrepreneurs possess, more specifically the *local and international network* (Rialp et al., 2005) as well as the *tie strength, network size and density of the extant network relationships* (Oviatt & McDougall, 2005), are important antecedents discussed in this context.

Firm level factors

A high number of articles are concerned with the importance of firm level attributes such as resources, strategy and structure, and specific capabilities for early internationalization (Jones & Coviello, 2005; Oviatt & McDougall, 2005; Rialp et al., 2005; Weerawardena et al., 2007; Zucchella et al., 2007). For example, Rialp et al. (2005) suggested the firm's *intangible resources* (i.e. its technological, organizational, relational and HR capital) are important drivers. Moreover, scholars identified the *focalization of strategy* (Zucchella et al., 2007) and the *organizational structure* (Jones & Coviello, 2005) to be important drivers. Finally, several scholars pointed towards the importance of learning, and knowledge and capabilities. For example, Rialp et al. (2005) proposed that *knowledge management, learning processes, the lack of (domestic) path dependency* as well as the *internally oriented routines* and *the ability to exploit core competencies* are essential drivers. Oviatt and McDougall (2005) identified knowledge, and more specifically *foreign market knowledge* to be an important factor; and Weerawardena et al. (2007) suggested that *market-focused learning capability, internally-focused learning capability; networking capability* and *marketing capability* will foster early internationalization.

Supra-organizational level factors

Oviatt and McDougall (1994) already pointed towards the *globalization* and the resultant homogenization of customer needs as well as *technological advances* (e.g. improved IT, communication infrastructure and logistics) to be important environmental drivers which reduced transaction costs and facilitated early internationalization. Scholars continued to explore this external dimension and identified several important industry, country, and network related antecedents. With respect to the industry, scholars suggested that the *knowledge-intensity* (Oviatt & McDougall, 2005; Rialp et al., 2005; Weerawardena et al., 2007) and *competitive intensity* (Oviatt & McDougall, 2005) are important factors. Country-specific factors discussed in the literature are the *existence of clusters and districts* (Rialp et al., 2005; Zucchella et al., 2007) and the *geographic context* (e.g. rural vs. urban) (Rialp et al., 2005).

To sum up, these studies have provided us with extensive knowledge on the drivers of early internationalization. Some scholars even claim that so far INV research has put its main focus on this field (Carr et al., 2010; Keupp & Gassmann, 2009; Kuivalainen et al., 2007).

2.1.2 Performance implications of early internationalization

As Autio (2004) pointed out, one of the most innovative contributions of Oviatt and McDougall's (1994) seminal article is treating internationalization not only as an outcome "but rather as a condition for value creation" (p. 15). According to these authors, INVs enter the global stage in order to gain a competitive advantage – and consequently to derive positive performance implications (Oviatt & McDougall, 1994).

Scholars that so far explored the performance implications of (early) internationalization took different perspectives on this relationship. While some have focused on the benefits resulting from early venturing into foreign countries, others have emphasized the potential threats and negative implications. Not surprisingly, they therefore came to different conclusions regarding performance outcomes (Hsu et al., 2013; Kuivalainen et al., 2007; Vermeulen & Barkema, 2002; Wagner, 2004). Thus the following review will first give an overview on the benefits and threats discussed in extant research and then summarize the differing conclusions with respect to the overall performance implications.

Benefits of early internationalization

Extant literature lists both economic and learning based benefits. From an *economic perspective*, early internationalization can be seen as a catalyst for growth. Entering new countries implies getting access to a larger market base, new customers and thus a potential increase in sales (Autio et al., 2000; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005; Zahra et al., 2000). In addition, the increasing sales resulting from internationalization enable firms to spread their fixed costs such as R&D over a larger volume base and thus capture economies of scale and scope (Caves, 1971; Contractor, 2007; Ruigrok & Wagner, 2003;

Tallman & Li, 1996). Finally, these firms might be able to benefit from "international resource base asymmetries" (Autio, 2004, p. 15), that is from the ability to access resources and create value across borders and thus draw advantage from imbalances in availability and prices of resources (Autio et al., 2000; Kuemmerle, 2002; Oviatt & McDougall, 1994). For example, these firms might yield savings from lower labor or material costs in specific markets (Davidson, 1980; Wagner, 2004). While these savings are not limited to early internationalizing ventures, Autio (2004) states that these firms are able to exploit these benefits from early on.

A second group of benefits refers to *learning and knowledge* stemming from (early) internationalization. Entering foreign markets implies getting exposed to new cultures, customer demands and competitive conditions – and thus to a rich spectrum of learning opportunities (Autio et al., 2011; Autio et al., 2000; Sapienza et al., 2006; Yeoh, 2004; Zahra, 2005). As Autio et al. (2000) pointed out, new firms possess a particular advantage in coping with these learning opportunities, termed "*learning advantages of newness*" (LAN) (p. 919, emphasis added). This concept suggests that younger firms are able to learn and form competencies more rapidly as compared to older firms since they are more flexible and not yet blinded and hindered by home-grown routines (Autio et al., 2000). Based on these learning advantages and the resulting accelerated adaptation and improved capability formation, these young firms are expected to be able to grow more successfully in international markets (Autio et al., 2000; Sapienza et al., 2006).

In addition, extant literature suggests that "knowledge regeneration advantages arising from international operations" (Autio, 2004, p. 15) translate into several concrete, learning related benefits, namely *knowledge gains* in several areas, the creation or improvement of *specific capabilities* and, related, a higher *dynamic capability* to implement changes.

With respect to *knowledge gains*, Zahra et al. (2000) showed that the international expansion increases the speed, breadth and depth of technological learning which ultimately translates into performance benefits. In addition, Hsu and Pereira (2008) revealed that internationalization and the interaction with foreign markets trigger social learning (i.e. knowledge on how to enter foreign markets, manage foreign countries, etc.) and market learning (i.e. knowledge on how to identify local customer needs, adapt products, etc.) and that performance benefits from internationalization are contingent upon the development of these learnings. Finally, Prashantham and Young (2011) underline that "access to international markets offers a range of new knowledge sources" (p. 281) and suggest that early internationalization triggers market knowledge (i.e. regarding consumer, competitors and cultural particularities) as well as technological knowledge (from experiencing new innovations in the markets entered). As the authors add, this knowledge accumulation is expected to be very beneficial for future growth.

As Sapienza et al. (2006) stated, early internationalization furthermore triggers the development of "*specialized capabilities* for rapid adaptation to the external environment" (p. 916, emphasis added). For example, Autio et al. (2011) suggest that the uncertainty stemming from internationalization causes the formation of organizational capabilities (consisting of organizing processes and cognitive maps related to entering foreign markets, etc.). In addition, Zhou et al. (2012) showed that early internationalization strengthens the marketing capabilities of these young ventures (i.e. the ability to learn about its market environment and use this knowledge to guide actions towards external market changes efficiently and rapidly) and Zhou et al. (2010) found that early internationalization of young firms is associated with the upgrading of a knowledge capability (e.g. the ability to generate market intelligence and acquire foreign market knowledge) and a network capability (e.g. the ability to establish new relationships and acquire important resources from their (expanded) network).[5]

Finally, several scholars suggested that early internationalization not only strengthens specific capabilities, but also the "receptivity for continual change" (Sapienza et al., 2006, p. 915), often referred to as *dynamic capabilities* (DC) (Autio, 2004; Autio et al., 2000; Sapienza et al., 2006; Weerawardena et al., 2007; Zahra, Sapienza, & Davidsson, 2006). Zahra et al. (2006) define this concept as "*the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)"* (p. 918). Extant research showed that DC are essential for dealing with the uncertainty and complexity resulting from (early) internationalization and are thus of high importance for the performance and survival of young ventures (Autio et al., 2011; Sapienza et al., 2006; Weerawardena et al., 2007).

Summarizing the learning related benefits, early internationalizing firms might benefit from the acquisition of specific fields of knowledge, of new or improved capabilities, and a more dynamic culture. Importantly, just like economic benefits, learning related benefits are not limited to early entrants. But these firms are suggested to generate particularly pronounced

[5] The relationship between early internationalization and the formation of specific capabilities will be discussed in detail in chapter 2.3.

learnings from their early international exposure (based on LAN) – and heavily depend on these learnings due to a low stock of home-grown routines and a high knowledge-intensity (Autio, 2004; Autio et al., 2000; Sapienza, Clercq, & Sandberg, 2005; Zahra, 2005).

Concluding on the overall benefits, extant research identified both major *economic benefits* such as an increased sales potential or cost savings based on economies of scale and factor cost advantages as well as *learning related benefits* related to the accumulation of knowledge, formation of specific capabilities, and conversion towards a more dynamic culture.

Threats of early internationalization

Internationalization is a risky, uncertain and complex endeavor for ventures (Autio et al., 2011; Hsu et al., 2013; Jiang et al., 2014; Vermeulen & Barkema, 2002; Wagner, 2004). Firms venturing into foreign countries have to cope with external challenges, for example stemming from country particularities, foreign cultures, competitors as well as social and institutional settings. In addition, they face internal challenges resulting from required organizational adaptations and process adjustments as well as the coordination of and knowledge transfer with foreign entities (Hsu et al., 2013; Johanson & Vahlne, 1977; Nohria & Ghoshal, 1994; Vermeulen & Barkema, 2002; Wagner, 2004).

Dealing with this uncertainty and complexity requires considerable investments in developing new routines and adapting existing ones, and consequently puts high pressure on the firm's resource base and implies considerable costs (Autio et al., 2011; Hsu et al., 2013; Sapienza et al., 2006; Sleuwaegen & Onkelinx, 2014; Zott, 2003). In order to minimize these negative implications, process theorists suggest that firms should follow a sequential path and first accumulate the necessary knowledge and resources before entering foreign markets (Johanson & Vahlne, 1977, 1990). For early internationalizing firms who skip these incremental steps, coping with internationalization related complexity becomes even more challenging – not least because these firms are moreover suffering from specific liabilities. Firstly, they face the *liability of smallness* (Aldrich & Auster, 1986; Bell, 1997), which implies that they only have limited resources which they can invest in the internationalization. Secondly, their *liability of foreignness* (Zaheer, 1995; Zaheer & Mosakowski, 1997) and *newness* (Stinchcombe, 1965) and the resulting disadvantages such as a lack of recognition, legitimacy and network access make it very difficult for them to successfully enter foreign markets and get access to local business partners and customers (Carr et al., 2010; Sapienza et al., 2006). Consequently, it is concluded that early internationalization can pose threats on ventures as it might lead to negative performance implications and a decreased likelihood of survival (Sapienza et al., 2006; Sleuwaegen & Onkelinx, 2014).

In total, scholars revealed that early internationalization implies considerable threats related to coping with uncertainty and complexity, investing in routine creation and reconfiguration, and overcoming the liabilities of newness, smallness and foreignness. The next section will discuss the relationship between the benefits and threats identified and conclude on the overall performance implications.

Performance implications of early internationalization

Research focusing on the performance implications of early internationalization is mainly concerned with the impact on *growth, profitability* and *survival* (Aspelund & Moen, 2005; Autio et al., 2000; Carr et al., 2010; Lu & Beamish, 2006; Sapienza et al., 2006; Zhou & Wu, 2014; Zhou et al., 2012).

Firstly, findings with respect to the impact of early internationalization on **firm growth** are inconclusive. On the one hand, several scholars build on the LAN theory (Autio et al., 2000; Sapienza et al., 2006; Zhou & Wu, 2014) and argue for a positive correlation. Autio et al. (2000) pioneered this argument and empirically showed a positive effect on firm growth (growth in international sales). Building on these findings, Sapienza et al. (2003) and Sapienza et al. (2006) also proposed a strongly positive effect of an early entry on firm growth. Finally, Lu and Beamish (2006), Carr et al. (2010), Zhou et al. (2012), Fernhaber and Li (2010) and Zhou and Wu (2014) all provided additional empirical support for the assumed positive impact on growth. On the other hand, several scholars found that there is no empirical support for the positive impact on growth. For example, Brush (1992) found that the age at the first international market entry was not significantly related to sales growth. Similar results were found by Bloodgood et al. (1996), Aspelund and Moen (2005) and Khavul et al. (2010).

Secondly, findings for the impact on **profitability** are also mixed. Several scholars propose that, due to aforementioned LAN as well as other benefits such as economies of scale (EOS) and factor cost advantages, early internationalization will have a *positive impact* on profitability (Fernhaber & Li, 2010; Zhou et al., 2012). Empirical support for this assumption was for example provided by Fernhaber and Li (2010) and Zhou et al. (2012). However, as for the impact on sales, other researchers found that there is no significant impact of early internationalization on profitability. Examples include Bloodgood et al. (1996), Aspelund and

Moen (2005), Khavul et al. (2010) and Zhou and Wu (2014). Lu and Beamish (2006) even found a negative impact on profitability.[6]

Third, the results for the impact of early internationalization on **survival** are controversial as well. On the one hand, scholars build on aforementioned liabilities and the associated lack of resources and propose that early entrants have a lower likelihood of survival as compared to late entrants and thus assume a negative impact (Sapienza et al., 2006; Sapienza et al., 2003). On the other hand, several scholars reported that they found no empirical support for the assumed difference in the likelihood of survival between early and late entrants (Carr et al., 2010; Coeurderoy, Cowling, Licht, & Murray, 2012). Some scholars even reported a 'neutral' or a non-linear relationship. For example, Mudambi and Zahra (2007) suggested and empirically confirmed that the probability of failure is not higher for INVs as compared to established firms following a sequential FDI strategy when taking into account the competitive strategies these firms follow (e.g. joining networks, applying alternative governance structures). Finally, Zettinig and Benson-Rea (2008) suggested that earlier internationalization will initially decrease the likelihood of survival – but will increase it in the long term if INVs manage to survive the initial threat.

In total, the literature review revealed that research on the performance implications of early internationalization has yielded inconclusive results. Various scholars have underlined these inconsistencies (Hsu et al., 2013; Kuivalainen et al., 2007; Morgan-Thomas & Jones, 2009; Prange & Verdier, 2011; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Kuivalainen et al. (2007) emphasized that findings for INV internationalization "are contradictory or ambiguous" (p. 254) and Verdier et al. (2010) stated that "the overwhelming literature on the relationship between internationalization and performance has not achieved consensus" (p. 19). Interestingly, results for the performance implications on MNCs and firms following a gradual internationalization process are even more inconclusive. Scholars provided empirical support for a positive (Bausch & Krist, 2007; Delios & Beamish, 1999), a negative (Geringer, Tallman, & Olsen, 2000; Michel & Shaked, 1986)[7], a U-shaped (Lu & Beamish, 2001; Ruigrok & Wagner, 2003)[8], inverted U-shaped (Chao & Kumar, 2010) or S-shaped (Contractor, Kundu, & Hsu, 2003; Lu & Beamish, 2004) interrelation. Summarizing the confusion on the performance implications, Wagner (2004)

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[6] The negative impact on profitability (ROS) was shown for exporting activities of SMEs.
[7] Geringer, Tallman, and Olsen (2000) identified a negative impact on profitability but a positive impact on growth.
8 Lu and Beamish (2001) showed a U-shape relationship for FDI activities in foreign countries.

stated that “to date, no consistent empirical evidence appears to exist” (p. 447) and he added: “Although it is now agreed upon that the internationalization–firm performance link is not uniformly linear, the precise curve types (whether U, J, inverted-U, inverted-J, or horizontal-S) and the particular contextual settings in which they hold true have yet to be conclusively determined” (pp. 447–448).

In order to resolve these inconsistencies several scholars suggested to adopt a “**contingency perspective**” (Wagner, 2004, p. 458, emphasis added) – that is to focus on factors potentially influencing the relationship between early internationalization and performance (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). Bloodgood et al. (1996) already concluded in their early work on new venture internationalization “that early internationalization is neither uniformly good nor uniformly bad” (p. 74) but that the performance implications depend on certain contingencies and that, as they added, “[i]t remains a significant research challenge to articulate and test these contingencies more fully” (p. 74). This call for exploring the contingencies has been renewed by several scholars. For example, Carr et al. (2010) underlined that the “factors moderating the outcomes of internationalization have not received systematic analysis” (p. 183) and Wagner (2004) confirmed that “by adopting a contingency perspective (i.e., by searching for moderators and mediators), future researchers could simultaneously provide more conceptual depth on two important elements: (1) the performance implications of international expansion and (2) the black box of the internationalization–performance link, which is assumed to exist but has yet to be addressed” (p. 458).

Several factors have been proposed to have an influence on the relationship between new venture internationalization and performance. For example, scholars analyzed the impact of manager / founder characteristics such as managerial experience (Sapienza et al., 2006) and entrepreneurial orientation (Sapienza et al., 2003) and venture characteristics such as company age at the first international entry (Autio et al., 2000; Sapienza et al., 2006; Sapienza et al., 2003), knowledge intensity (Sapienza et al., 2003) and resource fungibility (Sapienza et al., 2006) on the performance outcomes. Although these studies have substantially contributed to our understanding of potential contingencies of the internationalization-performance-link, they have not sufficiently explained the inconsistent results yet (Bloodgood et al., 1996; Carr et al., 2010; Kuivalainen et al., 2007; Prange & Verdier, 2011).

The purpose of this dissertation is shedding more light on the conceptual and empirical confusion regarding the performance implications of early internationalization. In line with aforementioned research calls, a contingency perspective will be adopted and focus will be placed on exploring key factors potentially influencing and (partially) explaining the “black box of the internationalization–performance link” (Wagner, 2004, p. 458).

In the next chapters, the theoretical context behind the two contingent factors that emerged from the data to be of particular relevance for the internationalization-performance-relationship – *post-entry speed* and *internationalization related capabilities* – will be presented. Chapter 2.2 will introduce the reader to the importance of ‘time’ in the internationalization process and will place a particular focus on the role and performance impact of post-entry speed. Chapter 2.3 will review extant research on internationalization related capabilities and their interrelation with venture internationalization and performance.

2.2 Time and venture internationalization

Firm internationalization was already conceived as a dynamic concept in early research and in the PTI model, that is the classic sequential model of international expansion (Johanson & Vahlne, 1977). However, while this model proposes patterns of internationalization in terms of market selection and market entry modes, it did not incorporate time as an explicit dimension and remained silent on questions such as when processes begin or at what rate they proceed (Casillas & Moreno-Menéndez, 2014; Eden, 2009; Jones & Coviello, 2005). It was not until the mid-90s that scholars in the emergent field of international entrepreneurship research started to incorporate time as an explicit dimension and devote focus to this aspect (Casillas & Acedo, 2013; Jones & Coviello, 2005; Oviatt & McDougall, 1994; Zahra & George, 2002). But although scholars kept emphasizing the uttermost importance of time as “a central issue in the internationalization” (Prashantham & Young, 2011, p. 276) and speed as “the most important time-based dimension” (Prashantham & Young, 2011, p. 276) for understanding internationalization, the research focus remained largely on “why, where and how’’ (Eden, 2009, p. 535) internationalization related events (such as market entries) happen (Casillas & Acedo, 2013; Eden, 2009; Jones & Coviello, 2005; Prashantham & Young, 2011). The question of ‘when’ and thus “*how* the process develops over time [remains] quite underresearched” (Casillas & Acedo, 2013, p. 26).

Extant literature considering time and speed as an explicit dimension can be split into two major areas: (i) research on *speed of the first foreign market entry* and (ii) research focusing on *post-entry speed* (Autio et al., 2000; Jones & Coviello, 2005; Kuivalainen et al., 2012; Vermeulen & Barkema, 2002). While the speed of the first entry is a widely researched construct (cf. chapter 2.2.1 for an overview), research on post -entry speed (cf. chapter 2.2.2) remains rather scarce (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2012; Prashantham & Young, 2011). Consequently, the latter conceptualization of speed will be studied in more detail in the following.

2.2.1 Speed of the first foreign market entry

Most scholars analyzing speed have conceptualized it as "the time lag between the founding of a firm and its initiation of international operations" (Autio et al., 2000, p. 909). This dimension of speed, also referred to for example as rapid (Kuivalainen et al., 2007; Oviatt & McDougall, 2005), early (Autio et al., 2000; Knight & Cavusgil, 2004) or accelerated (Freeman & Cavusgil, 2007; Shrader et al., 2000; Weerawardena et al., 2007) internationalization is a key differentiation criterion of INVs against other SMEs (Jones & Coviello, 2005) and is thus in the focus of scholars studying the INV phenomenon. There is a wide body of literature covering the antecedents of early internationalization (individual level factors such as a global mindset and an international entrepreneurial orientation; firm level factors like the organizational structure or specific capabilities; and supra-organizational level factors such as knowledge intensity and network – cf. chapter 2.1.1) (Jones & Coviello, 2005; Oviatt & McDougall, 2005; Rialp et al., 2005; Weerawardena et al., 2007; Zucchella et al., 2007) and its performance implications (e.g. related to firm growth, profitability and survival – cf. chapter 2.1.2) (Aspelund & Moen, 2005; Autio et al., 2000; Lu & Beamish, 2006; Sapienza et al., 2006; Zhou & Wu, 2014).

2.2.2 Post-entry speed

The second conceptualization of speed focuses on the time after the initial foreign market entry and is mostly referred to as *post-entry speed* (Casillas & Acedo, 2013; Prashantham & Young, 2011). Post-entry speed (PES) can be defined as "*the pace of international expansion of a new venture once it has become an INV"* (Prashantham & Young, 2011, p. 277) and is thus concerned with the speed of the *subsequent* international expansion once the first foreign market entry has occurred (Autio et al., 2000; Kuivalainen et al., 2012; Prashantham & Young, 2011).

Several authors have already emphasized the critical importance of PES for firm internationalization and performance (Casillas & Acedo, 2013; Kiss, Williams, & Houghton, 2013; Kuivalainen et al., 2012; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004; Welch & Paavilainen-Mäntymäki, 2014). For example, Casillas and Acedo (2013) pointed out that they consider PES to be "one of the most important concepts for gaining a true understanding of how internationalization processes develop" (p. 16) and, as they added, "should be considered as an important determinant of performance" (p. 25). Moreover, Prashantham and Young (2011) stated that PES and its distinction from the initial (entry) speed are "particularly critical for the long-term growth and success or failure of knowledge- and technology-intensive INVs" (p. 277).

However, despite the importance of PES, there have only been few studies on this subject up to now (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2007; Prashantham & Young, 2011; Sleuwaegen & Onkelinx, 2014; Welch & Paavilainen-Mäntymäki, 2014). Existing research can be clustered into three areas: (i) the conceptualization of PES (e.g. the indicators and measures), (ii) the antecedents of PES and (iii) the performance implications (Casillas & Acedo, 2013; Prashantham & Young, 2011; Vermeulen & Barkema, 2002). In the following, the literature on these three areas will be reviewed and both inconclusive results and research gaps will be identified.

2.2.2.1 Conceptualization of PES

As Casillas and Acedo (2013) propose, the *conceptualization of PES* (also referred to as 'internal analysis') should be concerned with "the different dimensions that make up speed" (p. 26), which would for example require the development of common indicators and measures. As summarized in Table 1, studies on PES highly differ with regard to the indicators and measures proposed and used. However, many authors seem to base their measure of PES on the change of an expansion related variable such as the number of countries entered (Casillas & Acedo, 2013; Prashantham & Young, 2011) or the number of subsidiaries / foreign entities established (Jiang et al., 2014; Lin, 2012; Verdier et al., 2010; Vermeulen & Barkema, 2002) over time after the initial foreign market entry. Since INVs often do not own foreign assets but rather rely on less resource-intense entry modes such as exporting (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994), a conceptualization based on the number of countries entered seems to be particularly plausible.

Paper	Method	Indicator(s) and measure(s) used / proposed for PES
Prashantham and Young (2011)	Conceptual	Change in *country scope* (number of countries) and *international commitment* (international sales)
Casillas and Acedo (2013)	Conceptual	*Speed of international growth / export intensity* (growth in foreign sales) *Speed of increased commitment of resources to foreign activities* (increase in e.g. assets or workers) *Speed of change in dispersion of international markets* (change in the number of countries (and potentially in their distance))
Vermeulen and Barkema (2002)	Empirical	*Speed* (average number of foreign expansions (subsidiaries) per year)
Morgan-Thomas and Jones (2009)	Empirical	*Speed of international sales development* (growth in international sales)
Lin (2012)	Empirical	*Internationalization pace* (average number of foreign subsidiaries per year)
Verdier et al. (2010)	Empirical	*Internationalization speed* (change in the rate of foreign entities to total entities)
Jiang et al. (2014)	Empirical	*Speed of expansion* (time between subsequent entries (subsidiary establishment))
Casillas and Moreno-Menéndez (2014)	Empirical	*Speed* (number of days between focal operation and prior operation (e.g. new market entry))

Table 1: PES - indicators and measures used (selected examples)
Source: Own illustration

2.2.2.2 Antecedents of PES

A second field of research proposed by Casillas and Acedo (2013) refers to the *antecedents of PES*, that is "the different explanatory factors behind speed" (Casillas & Acedo, 2013, p. 26). As shown previously (cf. chapter 2.1.1), there is a wide body of research focusing on the antecedents of *early* internationalization. However, the specific antecedents underlying the *subsequent* internationalization speed (i.e. PES) remain largely under-researched up to now (Casillas & Acedo, 2013; Prashantham & Young, 2011). In the following, an overview on these (few) articles on the antecedents of *post*-entry speed will be given. As proposed by Casillas and Acedo (2013), the analysis of the antecedents is structured along three factors: "individual, company and supra-organizational-level factors" (p. 24). To give a more comprehensive overview, the review will not be limited to INV literature (Casillas & Acedo, 2013; Morgan-Thomas & Jones, 2009; Prashantham & Young, 2011)[9] but also include important articles on MNCs (Casillas & Moreno-Menéndez, 2014; Lin, 2012).

[9] Casillas and Acedo (2013) do not explicitly focus on INVs in their paper. However, they base their review on INV literature to a large share and contrast the phenomenon of early (INVs) and fast internationalization (PES).

Individual level factors

The role of individual level factors as an antecedent of PES is only considered in the research overview by Casillas and Acedo (2013), who propose that the *global vision, foreign experience* and *education abroad* of the entrepreneur will have an impact on the PES at which the firm proceeds with its international expansion.

Firm level factors

More attention has been paid to firm level factors. Two studies looked at the antecedents from a conceptual level (Casillas & Acedo, 2013; Prashantham & Young, 2011) three applied an empirical approach (Casillas & Moreno-Menéndez, 2014; Lin, 2012; Morgan-Thomas & Jones, 2009) – but only one of these focused on INVs (Morgan-Thomas & Jones, 2009).

Prashantham and Young (2011) present a learning based model for explaining PES of INVs. In their conceptual model, the authors propose that PES is driven by the *speed of learning* as well as the *accumulated knowledge*. More specifically, they propose that the speed of learning is positively influenced by the social capital[10] and the *absorptive capacity* of the firm. Moreover, they propose that the speed of learning then positively influences the accumulated knowledge (composed of market knowledge and technological knowledge) and ultimately PES. Casillas and Acedo (2013) propose that the *resources of the firm, firm age* and *location* are important firm level antecedents which influence firms' PES. Morgan-Thomas and Jones (2009) empirically test the impact of several firm level factors, namely *knowledge intensity, reliance on information and communication technology (ICT), type of international diversification strategy* and *international channel strategy* on the post-entry internationalization dynamics. Based on a sample of 200 newly internationalizing firms, they find a positive influence of the reliance on ICT, of an international diversification strategy and of the use of multiple channels on the post-entry sales growth; while the assumed positive impact of knowledge intensity could not be confirmed. Lin (2012) analyzed the impact of *family ownership* on the internationalization process, specifically on the internationalization pace (i.e. the speed of the internationalization process), scope (i.e. geographical dispersion) and rhythm (i.e. irregularity of the internationalization). In her analysis on 772 publicly listed Taiwanese firms, she found that a high share of family ownership triggers a rapid pace, narrow scope and irregular rhythm. As she suggests, these findings can be explained by particular characteristics of family-owned firms such as the desire to maintain influence on

[10] Social capital is a supra-organizational level factor – see below for details.

the firm and to keep the risk controllable as well as a long(er)-term orientation. Finally, Casillas and Moreno-Menéndez (2014) conducted an empirical study with 889 MNCs in order to explore the impact of the *depth of international activities* (i.e. the diversity and depth in the modes of operation) and the *diversity of international activities* (i.e. the diversity of locations) on PES. The authors found that depth has an inverted U-shaped influence on PES (since a high depth initially requires more learning and triggers more complexity and thus decreases PES; but once the knowledge is accumulated additional entries will be eased and PES will increase) while diversity has a U-shaped influence (since the increasing diversity stimulates learning, but this learning takes time to be manifested).

Supra-organizational level factors

While literature on the antecedents of early internationalization lists a broad range of supra-organizational level factors (e.g. knowledge intensity, competitive intensity, home country particularities, firm's network and capabilities – cf. chapter 2.1.1), only two authors proposed antecedents for PES in this category (Casillas & Acedo, 2013; Prashantham & Young, 2011).

As mentioned above, Prashantham and Young (2011) identified *social capital* (consisting of strong and weak ties as well as an internal and an external dimension) to be an important component of the speed of learning and an important antecedent of a higher accumulated knowledge creation and ultimately of a higher PES. Casillas and Acedo (2013) also mention *social networks* to be important antecedents for PES. In addition, they propose that *international alliances and joint ventures* as well as *rivalry and imitation* should have an influence on PES.

Summing up, the literature review revealed that there is little research on the specific antecedents of PES (Casillas & Acedo, 2013; Prashantham & Young, 2011). Especially when compared to the literature on the antecedents of early internationalization, only few individual level, firm level and supra-organizational level factors have been discussed so far. Moreover, there is almost no empirical work on INV-specific antecedents of PES (Morgan-Thomas & Jones, 2009). Thus, both conceptual and empirical work seems to be required to close this gap. Recent calls for more research on the antecedents of PES by several scholars reinforce this conclusion (Casillas & Acedo, 2013; Kiss et al., 2013; Prashantham & Young, 2011). For example, Casillas and Acedo (2013) called for more work on "the different explanatory factors behind speed at the individual, organizational and supra-organizational level" (p. 26). In addition, Prashantham and Young (2011) stated that "an unanswered question is: what explains differential internationalization speed among INVs, *after* their initial entry into international markets?" (p. 275).

2.2.2.3 Performance implications of PES

A third area of research is concerned with the *performance implications of PES* (Casillas & Acedo, 2013; Prashantham & Young, 2011). As shown in chapter 2.1.2, there is a wide body of research on the performance implications of *early* internationalization (although results are inconclusive). However, as for the antecedents, only few scholars have analyzed the performance implications of *subsequent* internationalization and thus of PES (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004).

Most of these articles discuss two related implications of PES: Firstly, the direct impact on the complexity level that firms have to cope with, and secondly, the resulting impact on performance and survival. Consequently, the following literature review will be clustered into (i) *the impact of PES on complexity and time compression diseconomies*, and (ii) the *impact on firm performance*. As for the antecedents, this review will not be limited to INV literature (Sleuwaegen & Onkelinx, 2014; Verdier et al., 2010)[11] but also include important articles on MNCs (Jiang et al., 2014; Vermeulen & Barkema, 2002; Wagner, 2004) in order to create a more comprehensive picture.

The impact of PES on complexity and time compression diseconomies

Internationalization is a challenging endeavor and a major driver of complexity (Jiang et al., 2014; Morgan-Thomas & Jones, 2009; Vermeulen & Barkema, 2002; Wagner, 2004), that is of *the amount of factors that have to be handled at the same time* (Scott, 2003). Firstly, complexity is driven by external factors such as differing country particularities and thus differing foreign cultures, social and institutional settings. These factors require firms to learn how to cope with these differences and adapt accordingly (Johanson & Vahlne, 1977; Vermeulen & Barkema, 2002; Wagner, 2004). Secondly, complexity derives from internal factors such as the need to deal with organizational challenges and to adapt the existing mental maps, which might require firms to rework their organizational processes and structures in order to be competitive in the international environment (Calori, Lubatkin, & Very, 1994; Gongming Qian, 2002; Nohria & Ghoshal, 1994; Vermeulen & Barkema, 2002;

[11] Verdier, Prange, Atamer, and Monin (2010) cluster their sample into early and late internationalizing firms and thus cover both INVs and established firms.

Wagner, 2004). In addition, firms need to coordinate and integrate their foreign market activities and assure appropriate knowledge transfer (Malnight, 1996; Vermeulen & Barkema, 2002; Wagner, 2004).

In order to explain the performance implications of the internationalization induced increase in complexity and the resultant need to learn and adapt, several scholars build on the concept of *time compression diseconomies* (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). The concept is based on the idea of diminishing returns and was introduced in 1989 by Dierickx and Cool in order to explain why students doing an MBA in one year cannot acquire as much knowledge as compared to students doing it in two years – even if the same content is provided. Building on Dierickx and Cool's work, Jiang et al. (2014) define time compression diseconomies (TCD) as "*inefficiencies that occur when things are done faster*" (p. 115, emphasis added) and, describing the underlying rationale, they add "as the time allowed to develop a competence shortens, the cost of developing the competence will increase exponentially" (p. 115). The reason for these inefficiencies and the increasing cost of developing competences are organizational constraints. More specifically, a firm's absorptive capacity, that is "the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990, p. 128) limits the amount of complexity firms can handle effectively within a certain time frame (Wagner, 2004). Transferred to the firm's internationalization context, the concept of TCD implies that the increasing amount of complexity resulting from fast-pace internationalization will lead to increased inefficiencies (Vermeulen & Barkema, 2002; Wagner, 2004). As Vermeulen and Barkema (2002) phrased it, the amount of experiences and learnings from foreign markets a firm can process and benefit from "is constrained by their capacity to handle and absorb the complexities that accompany international expansion" (p. 639) and cannot be endlessly compressed in time. As Wagner summarizes, the international expansion "is accompanied by an increase in organizational and environmental complexity, [and] it is therefore subject to time compression diseconomies. That is, too rapid a firm internationalization within a given time frame will overexhaust firm absorptive capacity, thereby causing inadequate structural adaptation that, in turn, triggers negative performance effects" (p. 450).

Only few papers analyzed the concept of TCD in the context of firm internationalization (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). Vermeulen and Barkema (2002) were the first to study the internationalization-performance-relationship from a TCD perspective. In their empirical study (with panel data on 22 Dutch MNCs) on the impact of firm internationalization on profitability, they found that high internationalization pace, inexistent rhythm, and wide geographical scope all have a negative impact on the positive internationalization-performance-relationship. The authors conclude that the concept of TCD (and thus complexity driven inefficiencies) explains these negative moderation effects and that firms can only realize the full potential of internationalization when they follow a balanced internationalization path (with respect to pace, rhythm and scope). Building on the study of Vermeulen and Barkema (2002), Wagner (2004) analyzed the moderating impact of internationalization speed on the link between firm internationalization and cost efficiencies (labor cost savings and material cost savings) and ultimately on financial performance. Based on a survey of 83 stock-listed German MNCs, he found an inverted U-shaped relationship between internationalization speed and cost efficiencies (mostly explained by labor cost savings). Specifically, low and modest expansion rates yielded cost efficiency gains while a high speed had a deteriorating effect on cost efficiencies, which was explained by TCD. Furthermore, he found cost efficiencies to be an important mediator of the internationalization-performance-relationship. Verdier et al. (2010) studied the impact of both the speed of the *initial* foreign market entry (age) and the *subsequent* internationalization speed (PES) on firm performance (measured as the growth in the share of international sales). Their data on 86 global retailers showed that firms internationalizing early perform better at a *lower* speed while those internationalizing at a later stage show better performance with a *higher* speed. Young firms internationalizing at a higher speed according to the authors suffer from a lack of experience and capability constraints and consequently experience higher TCD and thus a weaker performance. Finally, Jiang et al. (2014) recently analyzed the impact of the speed of expansion on *subsidiary* performance. They hypothesized that, due to TCD, speed should have a negative performance impact (specifically on subsidiary survival and profitability). Their analysis of the internationalization behavior of 1.578 Japanese firms confirmed the negative impact of speed on survival of subsidiaries. For profitability, the negative impact of speed could only be observed when the firm was an early entrant into the market, while for late entrants (followers) no effect could be observed.

The impact of PES on firm performance and survival

Few studies have tried to explain the impact of PES on *firm performance*. These articles, which mostly analyze MNCs (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004), focus on the impact on sales growth (Sleuwaegen & Onkelinx, 2014;

Verdier et al., 2010), profitability (Jiang et al., 2014; Vermeulen & Barkema, 2002) and cost efficiencies (Wagner, 2004).

With regard to *sales growth*, Verdier et al. (2010) showed that PES negatively moderates the impact of firm internationalization on performance, measured as growth in the share of international sales. According to their data, young firms perform better if they expand internationally at a lower speed (which they explain based on TCD). Sleuwaegen and Onkelinx (2014) found an adverse relationship. According to their data on 5.800 Belgian firms, ventures internationalizing early and at a fast pace experience higher growth in post-entry export sales (measured as change in the share of international sales) as compared to slower and / or later internationalizing firms. They explain this result through learning advantages of newness (LAN) and the resulting eased upgrading of capabilities as well as the aggressive internationalization strategy these young firms typically apply. They conclude that, for early internationalizing startups, PES has a positive effect on firm growth.

With regard to *profitability*, Vermeulen and Barkema (2002) found that internationalization has a positive effect on MNC profitability (measured as Return on Assets), but that high internationalization pace has a clearly negative influence on this relationship. As stated above, they attribute this negative moderation effect to the increasing TCD. Jiang et al. (2014) also hypothesized that due to TCD, speed should have a negative effect on profitability (however measured on a subsidiary level). While they found significant support for this hypothesis for early entrants into a market, no evidence could be observed for late entrants (followers).

Finally, Wagner (2004) analyzed the impact of internationalization speed on *cost efficiencies* (operational performance, measured as savings in labor costs and material costs) and ultimately financial performance. He found that the internationalization speed-cost efficiency-link follows an inverted U-shaped curve. While at slow and moderate rates of speed cost efficiencies (particularly labor cost savings) improve, the effect is negative for fast rates of international expansion. This effect is attributed to increasing TCD which overcompensate the beneficial effects.

Moreover, two studies analyzed the effect of internationalization speed on *survival* (Jiang et al., 2014; Sleuwaegen & Onkelinx, 2014). Jiang et al. (2014) found a negative impact of post-entry speed on the likelihood of survival (measured on a subsidiary level). The authors explain this effect based on TCD which hinder more efficient operations and a better integration. In the same vein, Sleuwaegen and Onkelinx (2014) showed that global startups (internationalizing early and at a fast pace) have a lower likelihood of survival as compared to startups internationalizing later or at a slower pace. However, they attribute this effect more to the impact of firm age and the resulting liability of newness than to the higher complexity resulting from high expansion pace and wider country scope.

In conclusion, there is little research on the performance implications of PES so far (Casillas & Acedo, 2013; Vermeulen & Barkema, 2002; Wagner, 2004), and this little research is mostly focused on MNCs. Only Verdier et al. (2010) as well as Sleuwaegen and Onkelinx (2014) also consider INVs in their analyses; and only the former take into consideration the concept of TCD in an INV context. This is surprising, given the fact that these young firms are clearly more constrained by resources than late-internationalizing firms or even well-established MNCs (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005) and thus the impact of TCD should be even more pronounced and important in this context (Prashantham & Young, 2011). Furthermore, there is a narrow focus on few performance indicators so far and for example the suggestion by Prashantham and Young (2011) to explore the impact of PES on firm competitive advantage has not been addressed yet. Finally, the results for sales growth, arguably a key indicator for the performance of young firms (Verdier et al., 2010), are conflicting. While Verdier et al. (2010) showed that PES has a negative influence on sales growth of INVs and explain this due to TCD; Sleuwaegen and Onkelinx (2014) found an adverse relationship, that is a positive moderation, and explain this by the LAN and the resultant eased upgrading of capabilities. So while the latter scholars did not incorporate the concept of TCD (which, as explained above, should be central for INVs); the former neglected the LAN effect – arguably a key characteristic and key success factor of INVs (Autio et al., 2000; Sapienza et al., 2006) – and its impact on capability formation and thus the ability to handle complexity.

Overall, the literature review on the performance implications thus revealed a clear need for further research on the relationship between PES and performance; particularly in the INV context. Recent research calls on the performance implications of PES by several scholars corroborated this conclusion (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Vermeulen and Barkema (2002) pointed out that “[a]lthough it has long been recognized that organizations face constraints with respect to their growth and development […], little research has directly examined how different rates and patterns of expansion may result in performance differences between firms” (p. 637). In the same way, Casillas and Moreno-

Menéndez (2014) called for more research on PES and its "influence of this speed on certain dimensions of performance (survival, growth, performance, market value etc.)" (p. 98).

2.2.2.4 Conclusion on research on PES

Summing up the *overall findings on the research on PES* leads to a similar conclusion. Although several authors emphasized the importance of analyzing PES in order to develop a better understanding of the internationalization process and its performance implications, there has been little research so far. This finding is for example confirmed by Sleuwaegen and Onkelinx (2014), who pointed out that "despite the considerable research attention paid to accelerated internationalization, the paths of INVs after their initial entry into international markets remain unclear" (p. 116); by Casillas and Acedo (2013), who stated that PES "is still an underexplored concept" (p. 23); and by Kuivalainen et al. (2007), who underlined that the time dimension and thus PES "is especially something we should give more consideration" and that key questions such as "'what is the proper speed of internationalization for a born-global firm'" (p. 266) need to be explored.

More specifically, the *conceptualization* of PES revealed that scholars still differ with respect to the measures and indicators used (cf. chapter 2.2.2.1). With regard to the *antecedents* of PES, extant literature uncovered only few factors (particularly when compared to the extensive research on the antecedents of an early internationalization). The research on INV-specific antecedents is even less-developed and only one paper (Morgan-Thomas & Jones, 2009) so far took an empirical approach to this subject (cf. chapter 2.2.2.2). Finally, the arguably largest need for research that emerged from this literature review relates to the *performance implications* of PES. There is very little research on this topic; particularly in the INV context (although these ventures are highly resource-constraint and a fast *and* early internationalization seems to be especially challenging). Only two articles explicitly analyzed this subject (Sleuwaegen & Onkelinx, 2014; Verdier et al., 2010), however, reported conflicting results (positive vs. negative influence of PES on sales growth) based on different theoretical perspectives (TCD vs. LAN) (cf. chapter 2.2.2.3).

This thesis will address some of the gaps and shortcomings identified above. The data analysis will provide insights into the conceptual and empirical confusion regarding the performance implications of PES for INVs. Specifically, the analysis will combine a TCD *and* a learning perspective, which seems to be particularly fruitful when analyzing the performance implications. One the one hand, INVs suffer from major resource and capability constraints and thus analyzing the TCD resulting from a higher PES and thus an intensified complexity seems to be necessary; on the other hand these firms are (among others) characterized by their LAN, the resultant stronger capability formation – and potentially a higher ability to cope with the PES induced complexity. Moreover, these concepts are even linked in that TCD is based on the firm's limited ability to cope with complexity – and capabilities are shown to be the key mechanism behind coping with complexity and uncertainty. But despite their interrelation, these concepts were only analyzed in isolation so far.

Thus, the next chapter will introduce the reader to the concept of LAN and the theory on internationalization related capabilities before moving to the empirical research.

2.3 Internationalization related capabilities

Internationalization is an uncertain and complex endeavor for ventures (Autio et al., 2011; Vermeulen & Barkema, 2002). Expanding into foreign countries not only implies facing complexity stemming from external factors such as country particularities and thus differing cultural and institutional settings, but also requires ventures to cope with internal complexity drivers for example related to adapting the organizational structure and processes and to coordinating operations across countries (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002). These challenges can pose a considerable threat to firm performance and even survival (Sapienza et al., 2006; Sapienza et al., 2003; Vermeulen & Barkema, 2002; Wagner, 2004).

However, extant research has shown that firms respond to the complexity and uncertainty faced by forming *capabilities*, that is by configuring and deploying their resources and "using organizational processes, to effect a desired end" (Amit & Schoemaker, 1993, p. 35). For example, Autio et al. (2011) revealed that repeated and intense uncertainty, that is the "ambiguity, variability, and complexity" (p. 14) triggered by the international expansion has a highly positive influence on the formation of organizational capabilities that enable and facilitate continued internationalization. Moreover, INV theory proposes that, due to the absence of home-grown routines and the resultant learning advantages of newness (LAN), early internationalizing ventures are particularly strong in learning from international markets and in forming organizational capabilities (Autio et al., 2000; Knight & Cavusgil, 2004; Sapienza et al., 2006).

Not surprisingly, research supports the notion that capabilities are particularly important for early internationalizing ventures and for achieving superior (international) performance

(Knight & Cavusgil, 2004; Knight & Kim, 2009; Kuivalainen et al., 2010; Sapienza et al., 2006; Weerawardena et al., 2007). For example, Kuivalainen et al. (2010) suggests that "organisational capabilities are seen to contribute most to the performance" (p. 135), Knight and Cavusgil (2004) point out that a firm's ability to successfully expand in the international environment is largely determined by the capabilities possessed or formed and Rialp et al. (2005) suggest that the "organizational capability perspective could, in our opinion, constitute one of the most promising theoretical frameworks from which to explain and interpret not only the emergence of early internationalizing firms but also its further development in the form of a rapid and sustained international growth" (p. 162).

Extant research already identified and analyzed a broad range of capabilities that are suggested to enable (young) ventures to cope with internationalization induced complexity and to expand successfully into foreign markets. In the following, an overview on these key capabilities will be given. The (non-comprehensive) review will cover both internally oriented capabilities – *(international) market orientation; (international) marketing capabilities; internationalization process capabilities* and *organizational adaptation capabilities* – and externally oriented capabilities –*networking capabilities; capabilities to leverage external supporters and capabilities to leverage foreign distributors*.

2.3.1 (International) market orientation capabilities

A skill set frequently discussed in the context of INV internationalization and its performance implications is the *(international) market orientation.* It refers to *firm's ambitions and activities to capture market intelligence based on the orientation towards markets, customers and competitors as well as the cross-functional coordination of and response to market needs and influences* (Hurley & Hult, 1998; Kohli & Jaworski, 1990; Narver & Slater, 1990).

Scholars have underlined the positive performance impact of these capabilities in both the domestic (Narver & Slater, 1990) and the international context (Blesa et al., 2008; Cadogan, Diamantopoulos, & Siguaw, 2002; Knight & Kim, 2009; Kropp, Lindsay, & Shoham, 2006; Racela, Chaikittisilpa, & Thoumrungroje, 2007). In the specific context of INV internationalization, researchers also found strong support for the beneficial impact of a high market orientation (Blesa et al., 2008; Knight & Kim, 2009; Kropp et al., 2006). For example, when analyzing the specific capabilities that enable young, resource-constrained ventures to achieve superior international performance, Knight and Kim (2009) identified *international market orientation* to be a central cornerstone of the "international business competence" (p. 255), that is the set of intangible capabilities that are essential for the successful internationalization. The authors found empirical support for their assumption that *international market orientation*, that is "the extent to which the firm's international business activities are oriented toward customers and competitors, and the extent to which these activities are coordinated across functional areas in the firm" (p. 262)[12], positively relates to superior international performance of young ventures. In the same vein, Blesa et al. (2008) analyzed the influence of *market orientation* (described as the capability to identify and process relevant market information and translate it into a superior value proposition for customers) on the relationship between INVs' early international commitment and their international positional advantage (i.e. the competitiveness and performance in foreign markets). Their data confirmed that the positive relationship between early international commitment and positional advantage is further strengthened by high market orientation. As the authors conclude, market orientation fosters the information acquisition and knowledge generation, enhances the value proposition and ultimately strengthens the competitiveness in foreign markets. Finally, analyzing success factors for superior international performance of young ventures, Kropp et al. (2006) found a significantly positive impact of *market orientation* on the subjective and objective performance of these ventures in international markets. The authors conclude that identifying and responding to changing customer needs and competitive behavior is essential for the competitiveness of young international ventures.

To conclude, extant research provides strong support for the importance of market orientation capabilities for successful internationalization and superior performance in international markets.

2.3.2 (International) marketing capabilities

The *(international) marketing capabilities* are another skill set suggested to be of high importance for successful internationalization of (young) ventures (Cavusgil & Zou, 1994; Knight & Kim, 2009; Weerawardena, 2003; Weerawardena et al., 2007; Zhou et al., 2012). It refers to a firm's ability to apply its resource pool in order to design an effective marketing mix (consisting of product, promotion, pricing, and distribution) that creates high value for customers and that strengthens differentiation against the competitors (Cavusgil & Zou, 1994;

[12] For their definition, Knight and Kim (2009) build on Hurley & Hult (1998); Narver & Slater (1990) and Slater & Narver (1994).

Day, 1994; Weerawardena, 2003). It is thus closely related to the market orientation of firms (Day, 1994; Kocak & Abimbola, 2009; Weerawardena et al., 2007).

Many scholars already proposed and empirically confirmed the positive impact of marketing capabilities on firm competitiveness and performance (Cavusgil & Zou, 1994; Weerawardena, 2003). Moreover, several studies already explored the impact on INV internationalization and performance (Knight & Cavusgil, 2004; Knight & Kim, 2009; Weerawardena et al., 2007; Zhou et al., 2012).

Knight and Cavusgil (2004) suggested that the *international marketing orientation* (i.e. the "managerial mindset that emphasizes the creation of value via key marketing elements for foreign customers" (p. 130)[13]) is an essential part of INV's innovative organizational culture, which facilitates the formation of more specific capabilities (e.g. innovation capability; capability for leveraging foreign distributor competencies) and ultimately translates into superior performance in international markets. Weerawardena et al. (2007) analyzed INV internationalization and its performance implications from a dynamic capability perspective. They propose that a venture's *marketing capability* (among others) is of high importance for this relationship and has a positive influence on the outcomes of internationalization (characterized by speed, extent and scope). They conceptualize marketing capability as the ability to design the optimal marketing mix for being able to capture arising opportunities, for successfully accessing and penetrating niche markets and for positioning themselves successfully in the global environment. As the authors conclude, marketing capabilities enable young ventures "to effectively and rapidly access and penetrate multiple markets with their leading-edge innovative products" (p. 301), and thus foster the successful international expansion. Finally, the authors underline the interrelation of this capability with the market orientation capability (which they term market-focused learning capability) and propose that market orientation capability is a prerequisite for marketing capability. In the same vein, Knight and Kim (2009) suggest that *international marketing skills*, defined as "a firm's ability to create value for foreign customers through effective segmentation and targeting, and through integrated international marketing activities by planning, controlling, and evaluating how marketing tools are organized to differentiate offerings from those of competitors"[14] (p. 260), are one building block of aforementioned

[13] For their definition, Knight and Cavusgil (2004) build on Cavusgil and Zou (1994).
[14] For their definition, Knight and Kim (2009) build on Cavusgil & Zou (1994); Johnson et al. (2006); Knight & Cavusgil (2004).

international business competences and thus a key capability that drives superior international performance of young firms. Finally, Zhou et al. (2012) analyzed the impact of marketing capabilities on performance of early internationalization of INVs. The authors conceptualized marketing capabilities as "firm's ability to learn about its market environment and use this knowledge to guide its actions toward external market changes efficiently and rapidly" (p. 26)[15] and found empirical evidence that early internationalization strengthens the formation of strong marketing capabilities and that these capabilities furthermore positively influence the relationship between early internationalization and performance. As the authors conclude, "*marketing capabilities serve as enabling factors that help young international ventures mitigate their liabilities of foreignness to achieve international performance outcomes"* (p. 25).

Summing up, extant research seems to agree that strong marketing capabilities are of high importance for the successful international expansion of (young) ventures. They enable these ventures to provide superior value to their (international) customers and thus translate into a performance advantage.

2.3.3 Internationalization process capabilities

Entering foreign countries is a complex endeavor that requires firms to make a wide range of important decisions under considerable uncertainty (Autio et al., 2011; George, Zahra, Autio, & Sapienza, 2004; Johanson & Vahlne, 1977; Vermeulen & Barkema, 2002). In light of foreign cultures, market particularities and differing institutional settings, firms have to decide on the entry mode, on the product portfolio, on foreign partnerships, the local marketing mix, and so on (Autio et al., 2011; Eriksson, Johanson, Majkgard, & Sharma, 1997; George et al., 2004; Vermeulen & Barkema, 2002). As process theorists (Cavusgil, 1980; Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) propose, firms initially lack the knowledge and skills required to enter new markets successfully, which means they do not possess *internationalization process capabilities*. As they argue, firms need to build this knowledge gradually by entering international markets in a sequential manner.

Building on the process theory, Eriksson et al. (1997) provided a widely accepted conceptualization of the specific types of knowledge firms need to gradually accumulate (Clercq, Sapienza, Yavuz, & Zhou, 2012). The authors identified three specific types of

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[15] For their definition, Zhou, Wu, and Barnes (2012) build on Day (1994); Fang and Zou (2009); Vorhies and Morgan (2005).

internationalization-specific experiential knowledge that have an impact on firm's perceived costs of the internationalization process and thus on its inclination to make additional steps in the international expansion: *internationalization knowledge*, *foreign business knowledge* and *foreign institutional knowledge*. *Internationalization knowledge* (IK) refers to a firm's capacity to engage in foreign market operations. The authors describe it as a firm's "way of going international" (p. 345) and relate it to the ability to organize the international operations, to evaluate different international initiatives, to judge which additional internationalization related knowledge might be required and where to seek it. Foreign business and foreign institutional knowledge are both related to market-specific information. *Foreign business knowledge* refers to knowledge about customers, competitors and market conditions in the country the firm intends to operate in. It is thus concerned with gaining an understanding for the local demand situation, knowledge about customers, their needs and decision-making processes. *Foreign institutional knowledge* is described as knowledge about the foreign governmental and institutional setting, regulations, norms and so on, and includes an understanding of working styles, cultural particularities and values of these institutions. Their empirical evidence revealed that internationalization knowledge influences foreign business and institutional knowledge which in turn affect perceived internationalization costs.

In the context of *gradually internationalizing MNCs and SMEs*, many scholars have built on these international expansion related knowledge types and have further explored the knowledge formation process (Fletcher, Harris, & Richey, Jr, Robert Glenn, 2013), the different components of internationalization knowledge (Fletcher et al., 2013; Sandberg, 2014), the importance of this knowledge for the entry mode selection and throughout the international expansion process (Fletcher et al., 2013; Sandberg, 2014), and the beneficial impact for reducing the market entry related uncertainty in light of market distance (Hilmersson & Jansson, 2012). Moreover, scholars began to discuss the types of capabilities underlying a successful market entry such as the capability to develop a competitive *market entry strategy* (Fletcher et al., 2013; Madhok, 1996), the capability of *localizing*, which means developing a strategy for being successful in light of local market conditions (Cui, Griffith, & Cavusgil, 2005; Fletcher et al., 2013), the capability to *manage the internal organization* in a way that enables a successful international expansion (Doz & Prahalad, 1984; Fletcher et al., 2013), and *intrinsic speed capabilities*, which reflect firm's ability to implement investment projects such as entering foreign markets faster than its competitors and thus capture a fast-mover advantage (Hawk, Pacheco-De-Almeida, & Yeung, 2013).

However, only few studies explicitly covering the knowledge and capabilities required for a successful market entry could be identified *in the context of INVs* (Autio et al., 2011; George et al., 2004). This is surprising, given the fact that these young ventures do not follow a gradual path but typically expand into several foreign countries within a short timeframe; thus have to cope with an even higher uncertainty and complexity and arguably depend even more on the formation of capabilities that facilitate market entries and the overall international expansion (Autio et al., 2011; George et al., 2004; Sapienza et al., 2006).

George et al. (2004) explicitly conceptualize specific capabilities INVs need to possess. Based on case study research, they analyzed the formation and subcomponents of capabilities that facilitate the market entry (i.e. the process from planning the entry until the generation of first sales) of born global firms. Their data revealed that a capability set, termed *international market entry capabilities,* is composed of entry organizing capabilities and market intelligence capabilities. *Entry organizing capabilities* refer to "patterns in the processes used by firms to organize themselves to enter a given market" (p. B3) and encompass routines related to selecting an entry mode and to coordinating the entry related activities and "operational structures to maximize speed and efficiency of market entry process" (p. B3). *Market intelligence capabilities* are described as activities related to searching for market data and processing this information. The underlying routines behind this capability set are knowledge assimilation routines "used to acquire and assimilate knowledge content about the new markets" (p. B3) and market comprehension routines related to understanding the acquired information and consequently the market for example based on data analysis or testing. Moreover, the authors revealed that the formation of these capabilities is triggered by the market entry related situational uncertainty with respect to the markets and product portfolio; that trial and error learning and learning by doing are the central mechanisms underlying the capability formation; and that a high resource fit between the venture and the target markets as well as a high degree of shared experiences are both negatively related to the capability formation. Finally, while the authors mention some benefits the startups experienced due to a strong market entry capability (e.g. high employee growth rates; recouping and successful learning from failed entries), they do not include performance outcomes or implications in their analysis.

Autio et al. (2011) also placed a focus on the formation of the internationalization process related capabilities INVs need to possess. The authors proposed that the uncertainty and risk stemming from the (early) internationalization process and the resulting learning experiences from each market entry trigger the formation of organizational capabilities. Based on case study research, they furthermore revealed that INVs formed strong *organizing processes* and *cognitive maps* that facilitate international expansion and market entry. *Organizing processes* are described as "the sets of activities related to entering a new market, establishing a business infrastructure, and devising and initiating transactions to buy, sell, or manufacture a product or service in a foreign market" (p. 14) and thus reflect the spectrum of market entry related processes ventures master and are able to execute. *Cognitive maps* describe venture's understanding for the "cause-effect relationships between specific processes and their outcomes" (p. 14) as well as for "the timing and selection of specific processes to deploy in combination with others in response to varying institutional or market conditions" (p. 14). These maps enable firms to decide on the appropriate entry mode, product mix, marketing and sales strategy for each distinctive market. As the authors underline, these market entry related learnings and the resulting capabilities are not context-specific, which means they could be transferred to and refined in subsequent market entries – and could also be leveraged to improve existing operations for example in the home country. Finally, similar to George et al. (2004), the authors mentioned several beneficial outcomes of these capabilities (e.g. reduced risk of failure due to enhanced mastering of the uncertainty and complexity) but did not include performance outcomes in their analysis.

Summing up, while INV research so far only provided isolated insights into knowledge and capabilities related to entering foreign market, research on MNCs sheds more light on this subject and for example identified and conceptualized several capabilities of relevance in this context. Conceptual or empirical work on performance implications could not be found.

2.3.4 Organizational adaptation capabilities

Venture internationalization is a complex endeavor and triggers considerable complexity resulting from internal factors such as the need to cope with organizational challenges, which might require firms to adapt their organizational structure and processes and to rework their coordination of and knowledge exchange with foreign activities (Calori et al., 1994; Gongming Qian, 2002; Malnight, 1996; Nohria & Ghoshal, 1994; Vermeulen & Barkema, 2002; Wagner, 2004)

Not surprisingly, scholars from the field of international business research have placed much focus on *organizational adaptations*, that is on adjustments in the firm structure and processes MNCs implement as a response to strategic changes and arising organizational complexity (Chandler, 1962; Doz & Prahalad, 1984; Melin, 1992; Stopford & Wells, 1972).

Chandler (1962) was among the pioneering researchers on this subject. In his landmark study *Strategy and Structure,* he showed that the need to restructure the organization is induced by shifts in strategy for example due to new market opportunities or technological changes and concluded that 'structure is supposed to follow strategy'. Moreover, he suggested that diversification triggers organizational challenges and that these challenges trigger the formation of a new organizational structure. Many scholars researching the interrelations between internationalization and organizational structure built on Chandler's proposition and focused their research on types of structure and control mechanisms (Franko, 1976; Stopford & Wells, 1972) or on alternative mechanisms of coordination (Martinez & Jarillo, 1989; Schollhammer, 1971; Wiechmann, 1974). A seminal contribution to *types of structure and control mechanisms* was made by Stopford and Wells (1972). The authors found empirical support for Chandler's proposition and showed that firms first follow an initial expansion phase and then start improving the organization of their international activities and increase control over foreign subsidiaries – but they also pointed out that the interrelation between strategy and organization is not as linear and simplistic as suggested by Chandler. Research on the *coordination mechanisms* is primarily concerned with decision making patterns (central vs. decentral) and control mechanisms (formal vs. informal) (Martinez & Jarillo, 1989; Schollhammer, 1971; Wiechmann, 1974). Scholars from the 'process school', that is proponents of the PTI model also contributed considerably to the understanding of the interrelation between internationalization and organizational strategy and the underlying organizational skills required (Melin, 1992). For example, Bartlett and Ghosbal (1987) emphasize the importance of informal coordinating mechanisms such as normative values and internal communication (including task forces, conferences, frequent travels and personal contacts) and Doz and Prahalad (1984), proposed a set of management tools that help MNCs cope with the organizational complexity (e.g. data management tools that support decision making and conflict resolution tools that facilitate structure related decisions such as on the degree of global integration). In a more recent study, Fletcher et al. (2013) identified *international enterprise internationalization knowledge* to be a key component of the overall internationalization knowledge (IK) that enables firms to enter foreign markets and expand successfully. As the authors state "[i]nternational enterprise IK enables firms to manage the internal organization of their enterprises effectively across multiple international territories. It may help them understand how to control divergent partner behaviors, manage spatially distant internal relationships, and ensure ongoing and appropriate levels of knowledge transmission" (p. 50).

However, *in the entrepreneurial context*, scholars so far have placed little focus on the relationship between internationalization and structural adaptations. The focus seems to be almost exclusively on the interrelation with entrepreneurial behavior and other not internationalization related variables. For example, Covin and Slevin (1991) proposed a conceptual model of entrepreneurial behavior and suggested that four internal variables – top management philosophies and values; organizational culture; organizational resources and competencies; and organizational structure – will have a strong effect on the entrepreneurial posture and ultimately on the performance of young firms. The authors defined organizational structure as "the arrangement of workflow, communication, and authority relationships within an organization" (p. 17) and suggested an operationalization based on the formalization and centralization or their organic vs. mechanistic manifestation. As the authors pointed out, an 'appropriate' structure conducive to superior performance of entrepreneurial firms is typically characterized by "decentralization of decision-making authority, minimal hierarchical levels or structural layers, free-flowing communications" (p. 17). In the same vein, Lumpkin and Dess (1996) proposed that the organizational structure, and more specifically the use of an *organic structure* and of *integrating activities*, has an impact on the relationship between entrepreneurial orientation and firm performance. As the authors suggested, an *organic structure*, described as a decentralized, informal structure with "emphasis on lateral interaction and an equal distribution of knowledge throughout the organizational network" (p. 155), is much more conducive to superior performance than the antipode – a mechanistic organization. Moreover, they stated that *integrating activities*, which includes the deployment of structural integration vehicles such as working in teams, task forces and networks with customers and partners, and the establishment of related integrating processes such as setting team rules and conducting planning, enable entrepreneurial firms to maintain flexibility, to cope with complexity and to capture arising opportunities. Consequently, integrating activities are suggested to translate into superior performance.

Only three studies addressing the *interrelation between organizational adaptations and the internationalization* of entrepreneurial ventures could be found**.** Oviatt and McDougall (1994) underlined that these early internationalizing ventures considerably differ from established MNCs with respect to the organizational structure. Due to their resource constraints, INVs typically possess a low share of asset ownership, internalize few resources and thus often rely on "alternative governance structures" (p. 45) such as hybrid partnerships (e.g. licensing or franchising) or network structures (e.g. cooperation). As the authors propose, these alternative governance structures enable "(1) increased concentration of limited resources on the primary internal sources of competitive advantage and (2) cost, quality and flexibility benefits that may be derived from using outside experts to supply all peripheral resources" (p. 61). As a result, these structures are an important enabler for early internationalization. Kocak and Abimbola (2009) included the influence of organizational structure in their analysis on entrepreneurial marketing and performance. Based on case study research, they concluded that a formalized, centralized and departmentalized organizational structure counteracts the entrepreneurial orientation INVs typically possess and thus has a clearly negative influence on innovativeness and ultimately performance. Finally, Jones and Coviello (2005) conceptualized INV internationalization as an entrepreneurial process over time and proposed that the organizational structure, which they describe as being either organic or mechanistic[16], has a strong impact on the internationalization behavior (e.g. the rate and intensity of the internationalization, the market selection and entry mode choice) and ultimately on firm financial performance and non-financial performance (organizational learning).

Summing up, INV research so far provided little insights into capabilities related to the organizational structure and processes. Only two articles could be found in this context (Jones & Coviello, 2005; Kocak & Abimbola, 2009); but both placed a relatively narrow focus on few structural characteristics such as the degree of formalization. The underlying mechanisms and skills seem to have been neglected so far. Moreover, only one paper empirically examined the influence of this capability (or certain attributes underlying it) on INV internationalization and performance (Kocak & Abimbola, 2009). Research in the MNC context provided additional insights into the internationalization-organizational adaptation relationship. Several skills and activities conducive to an enhanced organizational adaptation have been identified. Examples include the effect of integrating activities such as the reliance on team work, task forces and networks with customers and partners (Lumpkin & Dess, 1996), the focus on internal communication and informal coordinating mechanisms (Bartlett & Ghosbal, 1987), the use of specific management tools that for example facilitate decision making (Doz & Prahalad, 1984) and the creation of particular types of structure such as a matrix organization (Stopford & Wells, 1972) or an organic structure (Lumpkin & Dess, 1996).

[16] Please see above for a description of organic vs. mechanistic (by Lumpkin and Dess (1996)).

2.3.5 Innovation capabilities

Another skill set frequently discussed in the context of INV internationalization and its performance implications are *innovation capabilities,* also referred to as international innovativeness (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kyläheiko, Jantunen, Puumalainen, Saarenketo, & Tuppura, 2011). Innovation capabilities can be described as "the ability of the organization to adopt or implement new ideas, processes, or products successfully" (Hurley & Hult, 1998, p. 44).

Several authors provided empirical support for the importance of this capability for the successful internationalization of new ventures (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kyläheiko et al., 2011; Zahra et al., 2000). For example, in their seminal paper on the impact of the international expansion on new venture performance, Zahra et al. (2000) showed that the international expansion increases the speed, breadth and depth of technological learning and that this learning and the resultant innovation ultimately translate into performance benefits. Knight and Cavusgil (2004) placed a particular focus on innovation in the context of INV internationalization. They suggested that INVs are characterized by a very strong innovative culture and found that a strong entrepreneurial orientation, that is a firm's innovation-focused mindset, is a key driver of the formation of specific capabilities and superior international performance. In addition, the authors identified four specific capabilities that INVs form, and two of these are innovation and technology related. Firstly, *global technological competences*, defined as "firm's technological ability relative to cohort firms in its industry" (p. 130), proved to facilitate "the creation of superior products and the improvement of existing products, as well as greater effectiveness and efficiency in production processes" (p. 130). Secondly, *unique product development* is described as "the creation of distinctive products" (p. 131) and is directed towards product differentiation by fulfilling customer needs in a superior way. As the authors suggested, these capabilities enable young ventures to achieve strong international performance despite being constrained by scarce resources and INV related liabilities[17]. Moreover, Knight and Kim (2009) proposed that *international innovativeness*, which they define as "the capacity to develop and introduce new processes, products, services, or ideas to international markets"[18] (p. 261), is one building block of the venture's international business competences and thus a key capability for

[17] See chapter 2.1.2 for details on the specific liabilities.
[18] For their definition, Knight and Kim (2009) build on Damanpour, 1991; Hurley & Hult, 1998; Kandemir & Hult, 2005.

superior international performance of young firms. Finally, Kyläheiko et al. (2011) analyzed the impact of technological capabilities, and the "appropriability regime" (p. 508) (i.e. the ability to protect new knowledge) on innovation, internationalization and ultimately firm performance. They found that technological capabilities, defined as the"[a]ccumulated technological knowledge the firm can employ when developing new products / services and improving existing ones" (p. 511) has a strongly positive impact on innovation and internationalization and that ventures combining innovative activities and internationalization as growth strategies achieve stronger profitability as compared to ventures focusing on replication only. Furthermore, they found that relying on both innovation and internationalization seems to be particularly promising when home markets are small.

In total, extant research revealed that the innovation capabilities and the underlying technological learnings are of high importance for INV internationalization and performance outcomes.

2.3.6 Networking capabilities

A key skill set related to the external environment of the firm are networking capabilities. Zhou et al. (2010) described network capabilities as the ability to establish new relationships and acquire important resources from the (expanded) network. Mort and Weerawardena (2006) use a more extensive definition in that they define it as "the capacity of the firm to develop a purposeful set of routines within its networks, resulting in the generation of new resource configurations and the firm's capacity to integrate, reconfigure, gain and release resource combinations" (p. 558)[19].

In her seminal paper on the importance of networks in entrepreneurial settings, Larson (1992) already revealed that firms can derive a broad range of potential benefits such as gains in knowledge and other resources from engaging in networks. Several scholars transferred this concept to the INV internationalization context and suggested that networking capabilities are of particular importance for young ventures that suffer from resource constraints and liability of newness and foreignness in international markets (Coviello, 2006; Mort & Weerawardena, 2006; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005; Prashantham & Young, 2011; Vasilchenko & Morrish, 2011; Weerawardena et al., 2007; Zhou et al., 2010).

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[19] Mort and Weerawardena (2006) build their definition of the dynamic networking capability on Eisenhardt and Martin (2000) and Ritter et al. (2002).

For example, Oviatt and McDougall (1994) suggested that the *international network* of founders is a key determinant of successful internationalization and a source of competitive advantage since it enables resource-constraint young ventures to access new resources and to conserve existing ones. Moreover, they propose that the use of a "*network governance structure*" (p. 57, emphasis added), that is the cooperation with complementary parties such as suppliers or customers, inherits both personal and economic value. Oviatt and McDougall (2005) proposed that the speed of INV internationalization (the timing of the initial entry, the country scope and commitment) is influenced by the *network relationships* these firms possess. These relationships are characterized by their tie strength, network size and network density. According to the authors, large and dense networks with weak ties are a particularly "vital sources of information and know-how" (p. 545), an "efficient support for internationalization" (p. 546) and ultimately of key importance for the rapid internationalization. In the same way, Weerawardena et al. (2007) suggested that *networking capability* is one of the key dynamic capabilities enabling young ventures to achieve an accelerated internationalization (characterized by speed, extent and scope). As these authors pointed out, the networking capability helps young ventures overcome their liabilities of being resource-constraint by fostering and facilitating the knowledge acquisition and the development of complementary resources. Moreover, Vasilchenko and Morrish (2011) investigated the importance of *social networks* (e.g. informal relationships) and *business networks* (e.g. partnerships and cooperations) for the internationalization of INVs. Based on case study research they found that social networks are adding value by providing coaching for market entry and are thus helpful in the exploration of international opportunities. Furthermore, social networks were found to be a potential source for partnerships and cooperations and thus a trigger for the business network. Business networks on the other hand proved to facilitate successful entry into international markets by providing credibility in these markets, by helping to acquire local market knowledge and local customers and by helping to overcome resource limitations. Additional empirical support for the positive performance impact of networks was provided by Zhou et al. (2010). The authors found that early internationalization of young ventures triggers an upgrading of *network capability*, described as the ability to establish new relationships and acquire important resources from the (expanded) network. Moreover, the authors theorized that "through providing informational advantages, risk alleviation and resource mobilization, network capability upgrading is able to improve LAN-related performance" (p. 889) and found empirical support for the performance-enhancing impact of network capability. Finally, Prashantham and

Young (2011) built a bridge between *networking capabilities* and post-entry speed. The authors proposed that networks and social capital of INVs are a rich source of knowledge and learning, and ultimately an important trigger of high post-entry speed.

Overall, the review revealed that networking capabilities are of high importance for INVs and that not only the sheer possession of networks, but even more so the capabilities to actively manage, expand and leverage them (e.g. for acquiring valuable resources) yields a performance advantage in the international expansion. These capabilities enable young firms to get access to resources and markets, and thus help them overcome their liabilities. Consequently, scholars mostly report a positive impact of networking capabilities on internationalization and international performance – and, as Prashantham and Young (2011) revealed, also on post-entry speed.

2.3.7 Capabilities to leverage external supporters

Prior research revealed that external supporters such as venture capitalists or incubators can be of high importance for (young) ventures since they provide both financial and non-financial support (Chen, 2009; Fernhaber & McDougall-Covin, 2009; Fried, Bruton, & Hisrich, 1998; Large & Muegge, 2008; Mäkelä & Maula, 2005; Sapienza, 1992; Sapienza & Manigart, 1996). For example, Chen (2009) revealed that VCs, or "financiers specializing in providing entrepreneurs with the capitals and value-added activities to founding and developing new ventures" (p. 95) and incubators, that is "innovative system designed to provide technology and management supports to assist entrepreneurs in the development of new ventures" (p. 95)[20] enhance the overall performance of new ventures. Specifying the support provided, Large and Muegge (2008) suggested that it includes both *financial value-added*, that is direct monetary support and *non-financial value*, consisting of externally oriented factors – the legitimation and outreach VCs can provide – and internally oriented factors – the mentoring and consulting provided and the support in recruiting and mandating, strategizing and operating.

For early and rapidly internationalizing INVs, financial and non-financial support should arguably be of particular importance since these ventures on the one hand are characterized by resource-constraints and a low level of experience, but on the other hand strive for fast and potentially resource-consuming expansion abroad (Fernhaber & McDougall-Covin, 2009;

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[20] Chen (2009) builds on and expands the VC-definition of Von Burg and Kenney (2000) and the incubator-definitions of Smilor (1987) and Sherman (1999).

George, Wiklund, & Zahra, 2005; Kuivalainen et al., 2010). But although scholars reported that many fast-growing INVs indeed rely on VC support (Mäkelä & Maula, 2005) and called for more research on the impact of this factor on INV internationalization, there has been a remarkable paucity so far (Fernhaber & McDougall-Covin, 2009; George et al., 2005). Only one study with explicit focus on INVs could be found (Fernhaber & McDougall-Covin, 2009). Thus, the following review of VC and incubator support in the context of internationalization will also include relevant articles on SMEs and gradually internationalizing ventures (Carpenter, Pollock, & Leary, 2003; George et al., 2005; Kuivalainen et al., 2010).

Combining agency theory and behavioral theory, Carpenter et al. (2003) analyzed the risk-taking behavior of high-tech ventures that underwent an IPO within the first ten years after foundation. Contrary to their assumption, they found that *VC ownership* decreases the likelihood that ventures internationalize extensively. Moreover, they found that the assumed positive impact of VC ownership on the international expansion only holds true if the TMT of the venture and / or board members appointed by the VC have considerable international experience. George et al. (2005) analyzed the impact of *ownership* on the internationalization of SMEs. They proposed that external owners such as VCs are more risk prone and have a higher tendency to increase the international intensity of their invested firms as compared to internal owners (e.g. the CEO). However, their empirical support for the positive impact of VC ownership on the international intensity was only weak. They thus concluded that more research on this subject is needed and suggested that for example the experience VCs possess with respect to internationalization as well as the interaction and relationship between VCs and founders should be taken into consideration. Fernhaber and McDougall-Covin (2009) explicitly focused on INVs and analyzed the impact of *VC ownership* on INV internationalization. Building on the abovementioned study by George et al. (2005), the authors proposed that venture capitalists can provide valuable knowledge and reputational resources to young ventures and that this value-added fosters their internationalization. Their empirical findings revealed that VCs with a strong reputation and strong international knowledge have a highly positive effect on new venture internationalization and performance. They thus concluded that venture capitalists are a potential "catalyst to new venture internationalization" (p. 277) and that more research on this subject is needed. For example they proposed that the internationalization-performance-relationship "has not yet been tested within the manifold influence of VCs" (p.289), that VC ownership should, however, be considered as a contingent factor for this relationship and that the question whether certain characteristics of INVs have an impact on the value-added of VCs for the internationalization deserves more attention. Finally, Kuivalainen et al. (2010) addressed Fernhaber and McDougall-Covin's (2009) call for research on the role of and relationship with VCs as a contingent factor and analyzed the impact of *financial capabilities* on SME internationalization and performance. They defined financial capabilities as a "combination of investment expertise, connections to investors and financial control system" (p.148) and found empirical support that this capability set is a significant determinant of the degree of internationalization. As they added, the *capability to persuade investors* (which includes the abilities to handle the financial investments efficiently, to maintain and expand the network with extant and potential investors, and to master the controlling and thus assure proper reporting and monitoring) is of key importance for young, resource constrained ventures since it facilitates or even enables the fast international growth these firms aspire.

Summing up, while investors were shown to be a highly valuable source of both financial and non-financial support for young, resource constrained ventures, little research has been conducted in the context of venture internationalization so far. The few articles in this area placed emphasis on the 'driver perspective' and analyzed the impact of VC ownership on international activities (Carpenter et al., 2003; George et al., 2005). Only one article analyzed the role of VCs as a contingency of the internationalization-performance-relationship (Kuivalainen et al., 2010). Moreover, while researchers mostly focused on VC *ownership*, only one article points towards *capabilities* ventures need in order to maximize the beneficial impact of this support (Kuivalainen et al., 2010). Finally, only one article with explicit focus on INVs could be found (Fernhaber & McDougall-Covin, 2009). Consequently, there seems to be a need for more research on the role of VC support as a contingent factor of the internationalization-performance-relationship (Fernhaber & McDougall-Covin, 2009) and the underlying capabilities ventures need to possess. This conclusion is confirmed by calls for research on the impact of VC support on venture internationalization (Fernhaber & McDougall-Covin, 2009; George et al., 2005) and on the internationalization-performance-relationship (Fernhaber & McDougall-Covin, 2009) as well as on the importance of venture characteristics (Fernhaber & McDougall-Covin, 2009; George et al., 2005) and the venture-VC relationship and interaction (George et al., 2005) in this context. As Fernhaber and McDougall-Covin (2009) summarize: "[W]e know little about the relationship between VC ownership and new venture internationalization, as only limited efforts have been made to begin to explore this relationship" (p. 277).

2.3.8 Capabilities to leverage foreign distributors

> "Although born globals possess various superior capabilities on their own, they must rely to some extent on the capabilities of facilitators in foreign markets to deal with the range of complexities found there" (Knight & Cavusgil, 2004, p. 132).

In order to enter foreign markets, firms can select different entry modes that highly differ with respect to their asset intensity and risk exposure (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Kogut & Singh, 1988). While large and well-established MNCs might directly deploy more asset-intense modes such as greenfield investments (Johanson & Vahlne, 1977), young and resource constrained ventures typically rely on exporting as their preferred entry mode into foreign markets (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kuivalainen et al., 2007; Oviatt & McDougall, 1994; Taylor & Jack, 2013).

Scholars identified a broad range of benefits (young) ventures can derive from this entry mode and the cooperation with local distributors. Firstly, these ventures are suggested to maintain a high degree of flexibility which enables them to capture international market opportunities despite a small resource pool (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Taylor & Jack, 2013). As Knight and Cavusgil (2004) pointed out, the "flexibility afforded through judicious use of foreign distributors enables entrepreneurial firms to respond rapidly to evolving customer needs, competitor actions, and shifting environmental contingencies. Entrepreneurial firms are given to active exploration of new business opportunities in foreign markets, and the use of competent local intermediaries facilitates this task" (p. 132). Secondly, scholars suggest that local distributors can help young ventures overcome the liabilities that complicate their international expansion. The lower asset intensity of this entry mode could (partially) counterbalance the liability of smallness (Aldrich & Auster, 1986; Bell, 1997) and the associated resource constraints; the "insidership in relevant network(s)" (Johanson & Vahlne, 2009, p. 1411) and market knowledge local network partners possess, could partially mitigate the liability of newness (Zaheer, 1995; Zaheer & Mosakowski, 1997) and foreignness (Stinchcombe, 1965) young ventures have to cope with (Chen, 2006; Evers, Andersson, & Hannibal, 2012; Johanson & Vahlne, 2009; Knight & Cavusgil, 2004; Lu & Beamish, 2001; Sasi & Arenius, 2008). Thirdly, these local distributors might overtake specific tasks such as local marketing activities and consequently relieve the exporting firm (Knight & Cavusgil, 2005; Skarmeas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008; Wu, Sinkovics, Cavusgil, & Roath, 2007). As Knight and Cavusgil (2005) exemplified, young ventures "tend to seek competent foreign intermediaries because, in international markets, strong distribution capabilities facilitate superior promotion, customer relationship management, and other downstream marketing activities" (p. 132). Finally, (young) ventures can derive considerable learnings and local market knowledge from their distributors which for example strengthen their innovativeness, enables these firms to capture market opportunities and thus improves their overall competiveness and export performance (Knight & Cavusgil, 2004; Salomon & Shaver, 2005; Wu et al., 2007). As Salomon and Shaver (2005) pointed out, "*exporters can often access diverse knowledge inputs not available in the domestic market, [and] this knowledge can spill back to the focal firm, and […] such learning can foster increased innovation*" (p. 431). Linking this benefit to performance, Wu et al. (2007) added: "Learning and acquiring local market knowledge from foreign distributors are central to manufacturers' export market performance" (p. 283).

However, scholars also emphasized that the exporter-distributor relationship is complicated by the cultural and geographic distance between the two parties (Skarmeas et al., 2008; Wu et al., 2007) as well as the principle-agent problem, that is the challenge of aligning the differing interest of both principal (exporter) and agent (distributor) (Jensen & Meckling, 1976; Peng & York, 2001). Exporters might experience strategic dilemmas with respect to the degree of information-sharing and the perceived risk of losing proprietary knowledge and their competitive edge (Wu et al., 2007). Foreign distributors might behave opportunistically, decide to intentionally hold back information on local markets or deliberately "misinterpret […] contractual terms to favor its interest" (Wu et al., 2007, p. 287) if they perceive an imbalance in contributions (Wu et al., 2007).

Consequently, several scholars suggested that the potential benefits from the cooperation might not be achieved automatically but be dependent upon the abilities to manage the cooperation – and thus on the capabilities to leverage foreign partners (Evers et al., 2012; Khalid & Larimo, 2012; Knight & Cavusgil, 2004; Lages, Silva, & Styles, 2009; Wu et al., 2007).

Three studies concerned with these capabilities could be identified in the INV context (Evers et al., 2012; Khalid & Larimo, 2012; Knight & Cavusgil, 2004). Knight and Cavusgil (2004) proposed "*[l]everaging foreign distributor competences*" (p. 132) to be a key capability for INVs in order to achieve superior international performance. They defined this capability as "the tendency of born globals to rely on foreign independent distributors and those distributors' specific competences to maximize performance outcomes associated with downstream business activities abroad" (p. 132). While the authors emphasized the importance of using foreign distributors and the value-added these partners can provide to the INV (e.g. taking over "downstream international business activities […] gathering market intelligence, forging links with key foreign contacts, deepening relations within extant markets, and cultivating new buyer segments" (p. 137)), they did not specify *how* young ventures can leverage the competences of their distributors, that is which skills this requires. In the same vein, Evers et al. (2012) underlined the importance of entrepreneurs' ability to manage and leverage stakeholders such as foreign distributors for the formation of marketing capabilities and the successful internationalization. As the authors summarized their findings: "[I]t was not the network per se that was the essential resource but rather the entrepreneur's capability to create and develop new and established relationships to leverage value embedded in the learning process. The INV CEOs / founders proactively mobilized their firms' stakeholder relationships to develop marketing capabilities in specific areas judged to be of most value to their firms" (p. 65). However, just as Knight and Cavusgil (2004), Evers et al. (2012) do not define these capabilities INVs and their founders need to possess. Finally, Khalid and Larimo (2012) provided more details on these underlying capabilities. In their analysis on the "firm specific advantage" (p. 234), described as the capability set that INVs need to possess or form in order to successfully overcome the initial survival threat early internationalization poses and to transform into a strong (international) growth phase, the authors identified two specific capabilities related to leveraging alliance partners (such as distributors): Alliance management capability and alliance learning capability. Firstly, the *alliance management capability* refers to a firm's commitment to building a strong relationship with alliance partners as well as a firm's focus and dependence on acquiring market knowledge from the distributor. Secondly, the *alliance learning capability* reflects firm's capacity to identify, acquire, process, and apply valuable knowledge from alliance partners. It thus relates to firm's "learning orientation and the knowledge sharing processes employed to acquire knowledge from partners at the firm and market levels" (p. 241). The authors pointed out that these capabilities are particularly important for young, resource constrained ventures and their successful international expansion. Their empirical data mostly confirmed the positive interrelation between these capabilities and firm survival and growth.

In total, while studies in the INV context underline the importance of the capabilities to leverage foreign distributors for young, resource constrained ventures, they mostly do not explicitly conceptualize the underlying abilities INVs need to possess. Khalid and Larimo (2012) identified two potentially relevant capabilities in the related field of research on alliances. The authors suggest that alliance management capability and alliance learning capability are important for leveraging alliance partners – but they do not specify the underlying skills firms have to build or actions they have to take in order to achieve this leverage.

Since several articles in the context of experienced export ventures already provided relevant insights into this subject, these will also briefly be reviewed (Lages et al., 2009; Wu et al., 2007). Wu et al. (2007) uncovered specific skills exporters (here highly experienced exporting manufacturers) need to possess and governance mechanisms they need to implement in order to enhance the cooperation with local distributors and thus their competitiveness in export markets. As the authors suggested, building trust, sharing knowledge and establishing formal contracts will enable exporters to minimize opportunism on distributors' side and to improve their local market competence (i.e. "the ability to recognize and exploit local market opportunities" (p. 286)), which will ultimately translate into higher competitiveness. Their empirical data revealed that building trust (i.e. confidence in the partner with respect to reliability and benevolence) and sharing knowledge are the most promising vehicles to achieve these goals. As the authors state, building trust fosters the cooperative behavior on both sides and facilitates the exchange of market know-how. Sharing knowledge enhances the cultural understanding on both sides and thus counteracts potential misunderstandings and moreover enables exporters to benefit from the enhanced transfer of local market knowledge. In the same vein, Lages et al. (2009) identified relationship capability to be a key skill set for exporters (highly experienced exporting manufactures) and found empirical support that this capability enhances innovativeness and quality of products and ultimately results in superior export performance. The authors conceptualized the relationship capability as "a set of intangible assets that reflect a series of interactions occurring between the interrelated parties involved in the export venture relationship – namely, the degree of importer involvement, communication quality of the relationship, long-term relationship orientation, and information sharing between the firm and customers" (p. 51). As they suggested, a well-developed relationship capability translates into better information sharing, for example with respect to market feedback, promising product adaptations and new market opportunities, and consequently results in more innovative, high quality products.

In total, prior research revealed that relying on foreign distributors is a promising entry mode for young ventures as it is associated with a broad range of benefits. However, scholars also emphasized that the cooperation with these partners is subject to considerable threats and that the abilities to leverage the cooperation and to manage the relationship is a key capability exporters need to develop. As the review revealed, studies in the INV context emphasized the importance of possessing this capability, but so far mostly did not specify the underlying abilities. Research in the context of alliance management and on experienced exporters provides additional insights into these abilities. Khalid and Larimo (2012) identified certain capabilities ventures need in order to manage their alliance partners (alliance management capability and alliance learning capability); but they did not explore the skills and concrete actions underlying these capabilities. Studies on experienced exporters revealed that building a relationship (based on communication and information sharing, building trust, etc.) and establishing an adequate governance structure foster the cooperation and facilitate the leverage (Lages et al., 2009; Wu et al., 2007). But as Wu et al. (2007) pointed out, the overall understanding for this capability and its subcomponents is still insufficient and, as they added, qualitative research could be promising in terms of enhancing this understanding.

2.3.9 Conclusion on capability literature

Summing up the *overall findings on the capability literature*, the review revealed that scholars widely agree on the key importance of capabilities for the (early) internationalization of the firm and for coping with the associated complexity and uncertainty (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kuivalainen et al., 2010; Sapienza et al., 2006; Weerawardena et al., 2007). Moreover, scholars already identified several capabilities that are suggested to be highly valuable for the international expansion – both internally oriented *((international) market orientation; (international) marketing capabilities; internationalization process capabilities; organizational adaptation capabilities)* and externally oriented *(networking capabilities; capabilities to leverage external supporters; capabilities to leverage foreign distributors).*

However, the review also uncovered several gaps and areas where further research seems to be valuable. First, several capabilities were found to be insufficiently conceptualized (esp. organizational adaptation capabilities, capabilities to leverage external supporters; capabilities to leverage foreign distributors). For example, for the externally oriented capabilities identified (capabilities to leverage external supporters; capabilities to leverage foreign distributors), the focus so far was mainly on the existence and value-added of the respective partnerships. However, research in related fields such as alliance management suggests that leveraging partnerships requires the possession of certain skills (e.g. related to the active management of the same). More research on the conceptualization of these capabilities and the underlying skills seems to be promising (George et al., 2005; Skarmeas et al., 2008; Wu et al., 2007). Secondly, the review revealed that research in the INV context so far mainly focused on identifying capabilities that are relevant in the (INV) internationalization context or that drive the (early) international expansion. However, as Prange and Verdier (2011) pointed out, research "only provided isolated insights into the linkage between specific types of capabilities and resulting performance implications" (p. 127). Particularly, scholars did not explore how capabilities interrelate with the PES of international expansion, with the resultant complexity and with performance outcomes.

Overall, there thus seems to be room for further research both on the specific capabilities INVs need to form or possess in order to internationalize fast and successfully and on the mediating role of these capabilities on the internationalization-performance-relationship. This conclusion is supported by recent calls for research for example by Autio et al. (2011), who suggested to focus on "avenues for future research that adopt cognition and capability-based lenses to examine drivers of successful internationalization" (p. 15) and by Zhou and Wu (2014), who pointed out that "[f]uture research should consider differing effects of performance outcomes in relation to international venturing as a learning and knowledge acquisition process, thereby acknowledging the importance of how international new ventures evolve in terms of their learning capabilities as time elapses" (p. 141). Finally, linking PES and capabilities, Prashantham and Young (2011) underlined that the "speed-performance relationship is also worthy of further investigation" (p. 287) and that researchers should address questions such as "[w] hat are the differential effects of various dimensions of market and technological knowledge on post-entry speed?" (p. 287).

3 Research design

This chapter will outline the research methodology used in this dissertation. Firstly, the selection of the research strategy (chapter 3.1) and the research method (chapter 3.2) will be explained and the quality criteria guiding this study discussed (chapter 3.3.). Then, an overview on the Go Global study based on which this dissertation is created will be given (chapter 3.4). Chapter 3.5 introduces the research process, which is then detailed in the subsequent chapters. Specifically, the sampling strategy (chapter 3.6), the data collection (chapter 3.7) and the coding and data analysis (chapter 3.8) are described.

3.1 Research strategy – qualitative, inductive approach

The selection of the research strategy is an essential decision in every research project since it has far-reaching consequences for the entire research process and the expectable outcomes (Edmondson & McManus, 2007; Flick, 2009; Yin, 2009). Two fundamental approaches can be distinguished: Qualitative and quantitative research (Flick, 2009). However, the differentiation of these approaches is still unclear in extant literature (e.g. Bryman, 1984; Morgan & Smircich, 1980) and rather pragmatic delineations such as 'numerical vs. non-numerical' (Cassell, Buehring, Symon, & Johnson, 2006) are very present. Thus, the quantitative and the qualitative approach will be contrasted, and the selection of the qualitative approach will be used in this study derived in the following.

A first differentiation can be made based on the *current stage of research*. As Edmondson and McManus (2007) stated, the research design "should be influenced by the stage of development of the current literature at the time of the research" (p. 1159). For less researched topics, the authors recommend to apply qualitative research and open-ended research questions. For extensively studied topics, quantitative approaches based on the use of "prior literature to identify critical independent, dependent, and control variables and to explain general mechanisms underlying the phenomenon" is recommended (Edmondson & McManus, 2007, p. 1159). As described in the introduction, this research focuses on shedding more light on the conceptual and empirical confusion regarding the internationalization-performance-relationship by exploring the contingent factors of this interrelation. Since these contingent factors are so far under-researched (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004), and even described as a "black box" (Wagner, 2004, p. 458), a qualitative approach seems to be recommendable (see below for explicit calls on qualitative research in this context).

A second (related) delineation can be made based on the *research objective*. The objectives of qualitative research lie in the creation of new theory or the extension and challenging of extant theory based on new insights, while the main objective of qualitative research is on testing extant theoretical relationships (Bansal & Corley, 2012; Edmondson & McManus, 2007). As Miles and Huberman (1994) summarized, qualitative data “have been advocated as the best strategy for discovery, exploring a new area, developing hypotheses” (p. 10). Since the objective of this thesis is to close extant research gaps by building new theory, the qualitative research thus seems to better fit this purpose.

Thirdly, quantitative and qualitative research can be differentiated based on the ‘*depth’ of grounding* in the data and thus on the *achievable insights* (Gephart, 2004; Miles & Huberman, 1994). According to Miles and Huberman (1994), qualitative data is characterized by “richness and holism, with strong potential for revealing complexity; such data provide "thick descriptions" that are vivid, nested in a real context, and have a ring of truth that has strong impact on the reader” (p.10). The ‘rich’ data is “highlighting the human interactions and meanings that underlie phenomena and relationships among variables” (Gephart, 2004, p. 455), thus allows to reveal actions and social processes (Gephart, 2004; Miles & Huberman, 1994; Morgan & Smircich, 1980), and ultimately “provides insights that are difficult to produce with quantitative research” (Gephart, 2004, p. 455). Miles and Huberman (1994) summarized these advantages:

> “We can go far beyond 'snapshots' of 'what' or 'how many?' to just how and why things happen as they do – and even *assess causality* as it actually plays out in a particular setting” (p. 10).

As described, the objective of this research is to understand ’why’ certain ventures achieve superior international performance while others do not and ‘how’ the internationalization-performance-relationship is influenced by contingent factors. Thus a holistic understanding of the behavioral patterns and consequently a qualitative approach seems recommendable.

Summing up, the qualitative approach seems to ideally match the research objective of building theory in an under-researched literature field which is deeply grounded in data. Thus this research approach was selected. The selection of a qualitative research strategy is moreover in line with calls for more qualitative research on the early internationalization-performance-relationship and its contingent factors (Gassmann & Keupp, 2007; Glaum & Oesterle, 2007; Rialp et al., 2005). For example, Gassmann and Keupp (2007) pointed out that the theory on the internationalization-performance-relationship “is fragmented and lacks a common framework" (p. 353) and they thus suggested to apply a "qualitative methodology for construct and hypothesis generation" (p. 353)[21]. In the same way, Sleuwaegen and Onkelinx (2014) underlined that "[f]urther qualitative research […] should shed additional light on the post-entry development process" (p. 118) of venture internationalization and its performance implications. Interestingly, Bansal and Corley (2011) emphasized in an editor statement that the qualitative research approach is moreover gaining increasing relevance for advancing the field of management studies overall and that for example "[s]ix of the last eight papers awarded *AMJ'*s "Best Article Award" were based exclusively on qualitative data" (p. 234).

Within the selected qualitative research strategy, researchers distinguish between an *inductive* and a *deductive* approach (Eisenhardt & Graebner, 2007; Patton, 2002). As Eisenhardt and Graebner (2007) pointed out, these approaches can be interpreted as "mirrors of one another, with inductive theory building from cases producing new theory from data and deductive theory testing completing the cycle by using data to test theory" (p. 25). The inductive and the deductive approach can thus be distinguished based on the underlying objective – generating theory vs. verifying it (Eisenhardt & Graebner, 2007). Both Edmondson and McManus (2007) and Eisenhardt (1989) moreover underlined that an inductive theory building approach is particularly advantageous in nascent literature fields. Finally, Eisenhardt (1989) emphasized that an inductive research approach offers several major advantages such as a higher "likelihood of valid theory […] because the theory-building process is so intimately tied with evidence" (p. 547) and a potentially high testability of the theory due to well-defined constructs and propositions. As explained, the underlying objective of this thesis is closing gaps with regard to the insufficiently understood internationalization-performance-relationship and the under-researched contingencies of this link by building valid, new theory – which can then be tested in future (quantitative) research. Consequently, an inductive approach will be applied. This approach is also explicitly recommended by Gassmann and Keupp (2007) in order to explore the internationalization-performance-relationship. As the authors stated: "Given these gaps in theory and these empirical phenomena, we feel that there is a need for an inductive, hypothesis-generating approach" (p. 351).

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[21] For their conclusion to apply qualitative research, Gassmann and Keupp (2007) refer to Eisenhardt (1989) and Yin (1989).

3.2 Research method – case study design

Having decided on the research strategy, the question arises, how to operationalize this strategy, that is which research method to choose (Johnson, Buehring, Cassell, & Symon, 2006).

Yin (2003) distinguished between five differing methods (experiments, surveys, archival analyses, history, and case studies) and suggested three criteria to select these: the type of research question (e.g. 'what', 'why', 'how'), the degree of control the researcher has on the event and the temporal focus (recent vs. historic events). Case studies are the only method fulfilling all criteria relevant for this research – (i) an explorative study with focus on 'why' and 'how' questions with (ii) no control about the event (here the internationalization) and (iii) reference to a recent event (Yin, 2003) – and thus seems to be the best fit. Moreover, the case study design is explicitly recommended in extant research in order to explore the internationalization-performance-relationship (Gassmann & Keupp, 2007; Glaum & Oesterle, 2007; Rialp et al., 2005). For example, in their review of research on the performance implications of international expansion, Glaum and Oesterle (2007) pointed out that "research on the relationship between internationalization and performance would greatly benefit from more in-depth field research, that is "clinical" case studies that focus on individual firms and their internationalization processes and experiences over time" (p. 315). In the same vein, Rialp et al. (2005) concluded from their review of INV research that "a more rigorous and insightful application of the case study approach […] may result in the identification of totally unexpected evidence fostering newer and more sophisticated interpretations of this phenomenon" (p. 163) and they thus explicitly "call for more focused research based on case studies" (p. 162) to explore the INV internationalization and its performance implications.

Case studies can be defined as "an empirical inquiry that investigates a contemporary phenomenon in depth with its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p. 18). According to Eisenhardt (1989), case studies have three essential advantages over other methods: Firstly, the novelty is particularly high due to the depth of understanding and the richness of data; secondly the testability is strong since constructs and hypotheses are well defined, and thirdly, the empirical validity is high based on the strong grounding of theory in the data. The author concluded:

> "In sum, building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic" (p. 547).

According to Yin (2003), case studies can be differentiated based on the *number of cases* involved (single or multiple case study) and the *number of analysis units* (holistic, embedded).

With respect to the *number of cases* involved, a distinction is made between *single case studies* focusing on one particular case (e.g. one firm) and *multiple or comparative case studies*, which include and compare several cases (Eisenhardt, 1989; Yin, 2003). As Dyer and Wilkins (1991) stated, single case studies have contributed considerably to a better understanding of organizations and social systems and thus their importance should not be underrated. However, multiple case studies according to Miles and Huberman (1994) are offering several major advantages over single case studies:

> "*Multiple*-case sampling adds *confidence* to findings. By looking at a range of similar and contrasting cases, we can understand a single-case finding, grounding it by specifying *how* and *where* and, if possible, *why* it carries on as it does. We can strengthen the precision, the validity, and the stability of the findings" (p. 27).

In the same vein, Yin (2009) explicitly recommends the use of comparative case studies if the resources of the research team allow it. In order to benefit from abovementioned advantages, a comparative case study approach is used in this study.

With respect to the *number of analysis units*, Yin (2003) differentiates between a *holistic design*, covering only a single unit of analysis (e.g. the firm) and an *embedded design*, covering multiple units of analysis (e.g. including employees). According to Yin (2003), "[t]he subunits can often add significant opportunities for extensive analysis, enhancing the insights into the single case" (p. 46) and an embedded design is thus recommendable – if the pitfall of dedicating too much focus on the subunits is avoided. The use of multiple informants furthermore enables data triangulation and thus strengthens the construct validity of the research (Flick, 2009; Yin, 2009) (cf. chapter 3.3). To capture additional insights and to enhance the quality of research, an embedded design was selected and the primary unit of analysis (the firm) was enriched by an analysis of the individual level (the founder(s) and key employee(s) interviewed).

In the following, aforementioned quality criteria for qualitative research and underlying questions whether case studies are an eligible method for building robust theory will be discussed.

3.3 Quality criteria for research

As stated in the introduction, the objective of this research is closing the gaps with regard to the insufficient understanding of the internationalization-performance-relationship and its contingent factors by developing *robust* theory. However, scholars are debating intensely whether case studies can fulfill this purpose, that is whether the robustness can be achieved through this method (Dyer & Wilkins, 1991; Eisenhardt, 1989). Gibbert, Ruigrok, and Wicki (2008) underlined this concern, stating that the case study approach "provided the strategic management field with ground-breaking insights" (p. 1465) but that this method nevertheless "has been prone to concerns regarding methodological rigor in terms of validity and reliability" (p. 1465)[22].

To address this concern, the general quality criteria in empirical social research – validity and reliability (Gibbert et al., 2008; Yin, 2009) – as well as the major additional criticisms of case study research – the lack of methodological rigor, the limited degree of generalizability and the lengthy designs and resulting overabundant data (Yin, 2009) – are discussed in the following.

With regard to the *quality criteria in empirical social research*, the four factors defined by Yin (2009) will be covered: (i) construct validity (ii) internal validity (iii) external validity (iv) reliability.

The first factor, *construct validity*, according to Gibbert et al. (2008) "refers to the quality of the conceptualization or operationalization of the relevant concept" (p. 1466). Central measures in order to achieve a high construct validity are the implementation of a clear "*chain of evidence*" (Yin, 2003, p. 105, emphasis added) and the *triangulation* of results (Eisenhardt, 1989; Gibbert et al., 2008; Yin, 2003).

Implementing a clear *chain of evidence* refers to the principle of enabling "an external observer - in this situation the reader of the case study - to follow the derivation of any evidence, ranging from initial research questions to ultimate case study conclusions" (Yin, 2003, p. 105). This can be achieved through a transparent illustration and documentation of the logical chain (Gibbert et al., 2008; Yin, 2003) and the underlying data (Miles & Huberman, 1994). The high traceability and transparency was of uttermost importance for

[22] For the first part of the statement, the authors refer to Penrose (1960); Chandler (1962); Pettigrew (1973); Burgelman (1983); for the second part they refer to Campbell (1975); Miles (1979); Daft and Lewin (1990); March, Sproull, and Tamuz (1991); Yin (1981).

the author of this dissertation and a guiding principle throughout the work. For example, the detailed description of the data analysis process (cf. chapter 3.8) and the structured displaying of the key interview data underlying each interrelation (cf. chapter 5) enable the reader to easily follow the theory creation process.

Triangulation is defined as the approach of "adopt[ing] different angles from which to look at the same phenomenon, by using different data collection strategies and different data sources" (Gibbert et al., 2008, p. 1468) [23]. Triangulation can be achieved through data triangulation (using different types of data), investigator triangulation (deploying several observers), theory triangulation (considering multiple theoretical perspectives) and methodological triangulation (using more than one method) (Denzin, 1970, 2009; Flick, 2009) . In this study, data triangulation was attained using different informants (Flick, 2009; Yin, 2009). Interviews were conducted with both founders and employees, which allowed validating statements within cases. Since the data collection and interpretation were performed by two researchers, investigator triangulation was assured (Flick, 2009). Furthermore, several research streams (e.g. international business research and entrepreneurship research, research on learning, strategy and organizational science – cf. chapter 2) were taken into account to achieve theoretical triangulation. Finally, methodological triangulation, often described as "different ways of collecting data" (Flick, 2009, p. 449), according to Jick (1979) can be assured using ""within-method" triangulation" (p. 603) and ""between-method" triangulation" (p. 603). Within-method triangulation, or verifying data using the same method, was implemented through the use of different types of question (more narrative elements and very specific questions) as well as several 'control questions' both within the interview and within the survey (Denzin & Lincoln, 2011; Flick, 2009; Jick, 1979). Between-method triangulation refers to the employment of several methods (Denzin & Lincoln, 2011; Jick, 1979) and was achieved by enriching the interview data with quantitative survey data as well as field notes and press research data (cf. chapter 3.7).

The second quality criterion is *internal validity*, also labeled 'logical validity' in literature. According to Gibbert et al. (2008), it "refers to the causal relationships between variables and results" (p. 1466). Thus internal validity is even more important for causal, explanatory case studies than it is for explorative case studies (Yin, 2009). Nevertheless, the internal validity was taken into account in this explorative study. Firstly, "pattern matching" (Gibbert et al.,

[23] The authors build this definition on Denzin and Lincoln (1994) and Yin (1994).

2008, p. 1466), described as the comparison of interrelations revealed in the data with findings from other studies and findings in different contexts, was applied. Findings were intensively contrasted with patterns identified in other cases (as part of the cross-case analysis; cf. chapter 5) and with literature from different fields (cf. chapter 6.2). Secondly, emphasis was placed on capturing the underlying reasons and dynamics behind the interrelations identified by deeply embedding these in the data, which according to Eisenhardt (1989) is essential for achieving internal validity.

The third quality criterion, *external validity* (also called 'generalizability'), can be described as replicability of findings beyond the specific study and its particular setting (Gibbert et al., 2008; Yin, 2003). Here, *statistical* and *analytical* generalization have to be distinguished (Numagami, 1998; Yin, 2003). While statistical generalization implies the ability to make inferences to the population and for example is of high relevance for quantitative survey studies, the analytical generalization, or the ability of the investigator to "generalize a particular set of results to some broader theory" (Yin, 2003, p. 37), is important for case studies. As Eisenhardt (1989) stated, the analytical generalizability can be achieved by using multiple cases and contrasting these in a cross-case analysis, and by applying a theoretical and diverse sampling. In this study, both the pre-selection of 20 cases included in the overall research project (cf. chapter 3.4) and the final selection of the nine cases included in this thesis were based on theoretical sampling criteria (cf. chapter 3.6). Furthermore, these nine cases were intensely contrasted as part of the cross-case analysis (cf. chapter 5) and thus a high external validity was obtained.

The fourth quality criterion is *reliability*, which can be described as the degree to which a researcher is able to follow the same approach used and documented by the first researcher and thus generate the same results (Denzin & Lincoln, 2011; Yin, 2003). According to Gibbert et al. (2008), the key measures to assure reliability are *transparency* – achieved by "measures such as careful documentation and clarification of the research procedures" (p. 1468) – and *replication* – enhanced by creating a well-structured database including all relevant pieces of data. In line with these measures, the research process and its specific components are explained in detail in the respective chapters (cf. e.g. chapter 3.5 for the research process and chapter 3.8 for the data analysis). In addition, aforementioned intense embedding of the emergent theory in the data, and particularly in the interview quotes, further enhanced the transparency. The replication was facilitated by a systematic documentation of all data used in this study (including interview recordings and transcripts, survey data, field notes and press research outcomes). Finally, the systematic data analysis process and in particular the inclusion of a second researcher for the interrater reliability assessment of all codes (cf. chapter 3.8.2) were important levers for further enhancing the replication and thus reliability of this study (Yin, 2009).

As stated, the major *criticisms to case study research* listed by Yin (2009) are (i) the lack of methodological rigor (ii) the limited degree of generalizability (iii) the lengthy designs and resulting overabundant data. These criticisms partially overlap with aforementioned general quality criteria. Particularly, the *limited degree of generalizability* was already addressed in the section on external validity above. However, criticism regarding lack of rigor and lengthy designs will be addressed in the following since these concerns are subject to intense debates by researchers (Gibbert et al., 2008)[24] and since they are of high relevance for the specific design selected in this study.

Concerns regarding the *methodological rigor* refer to the transparency of the path from raw data to theory (Bansal & Corley, 2011) and are thus closely related with validity and reliability (Gibbert et al., 2008). Scandura and Williams (2000) underline the importance of this factor: "[W]ithout rigor, relevance in management research cannot be claimed" (p. 1263). According to Eisenhardt (1989), rigor can be achieved by measures such as a clearly defined research purpose, proper data collection instruments and an elaborated sampling strategy. Yin (2009) mentioned that the "investigator's own style of rigorous thinking, along with the sufficient presentation of evidence and careful consideration of alternative interpretations" (p. 127) are important measures. In addition, Bansal and Corley (2011) postulated the presentation of "who, what, where, when, and how in such a way that the reader sees clearly how the researcher moved from the raw data to the theoretical insight" (p. 236) further strengthens rigor. Finally, Gibbert, Ruigrok, and Wicki (2008) stated that, in the tradition of the positivistic paradigm, ensuring construct validity, internal and external validity and reliability will result in high methodological rigor. The calls of Bansal and Corley (2011) for an increased transparency and of Gibbert et al. (2008) for more validity and reliability were already addressed when discussing the general quality criteria above. The clear definition of the research purpose, the well-developed data collection instruments and the systematic sampling as postulated by Eisenhardt (1989) are addressed in detail in the respective chapters (chapters 1 / 3.7 / 3.6). Consequently, a high methodological rigor is achieved in this research.

[24] Gibbert, Ruigrok, and Wicki (2008) give several examples for criticisms on case studies: Campbell (1975); Miles (1979); Daft and Lewin (1990); March, Sproull, and Tamuz (1991); Yin (1981).

Finally, concerns regarding the *lengthy designs and resulting overabundant data* – paraphrased by Pettigrew (1990) as "death by data asphyxiation" (p. 281) – cannot be fully negated in this study. Overall, 1,815 pages of transcripts, 47 surveys, 20 PowerPoint-slides of field notes and more than 300 press articles indeed represent a high amount of data that had to be handled. However, this richness of data is also a key advantage of the case study approach, enabling aforementioned deeply embedded, contextually sensitive, robust theory building (Gephart, 2004; Henwood & Pidgeon, 1992). Furthermore, as described above, much emphasis was placed on a very systematic analysis as well as on full transparency regarding data processing and documentation. Consequently, the advantages of the high amount of data could be captured, while the related concerns such as readability and traceability could be counteracted by a systematic, transparent and rigorous working style. As Yin (2009) summarized: "Much depends on an investigator's own style of rigorous thinking, along with the sufficient presentation of evidence and careful consideration of alternative interpretations" (p. 127).

3.4 Background of the Go Global study

The Go Global study is a research project carried out by a team of scholars at the Chair of Entrepreneurship of Prof. Dr. Dr. Holger Patzelt at Technische Universität München (TUM). The overall objective of this study is to shed more light on the early internationalization of young ventures, specifically on the so far less researched INV internationalization process and the effects of early internationalization (Autio, 2004; Carr et al., 2010; Gassmann & Keupp, 2007; Jones & Coviello, 2005; Kuivalainen et al., 2007; Prange & Verdier, 2011; Rialp et al., 2005).

In the following, a brief overview on the research team, project timeline, overall research approach and the sample of the Go Global study will be given.

3.4.1 Research team

The Go Global study was created by Prof. Dr. Dr. Holger Patzelt and a team of researchers at the Chair of Entrepreneurship of TUM. The research team consisted of Tobias van der Linden and Benjamin Schneck (the author of this study) and was guided and supervised by Prof. Dr. Anne Domurath, project manager and coordinator of the Go Global study. Prof. Dr. Dr. Patzelt provided additional supervising, guidance and advice. Mr. van der Linden and Mr. Schneck, both PhD students at the Chair of Entrepreneurship, were in charge of designing the study, acquiring the participants as well as collecting and analyzing the data. Moreover, they both derived their individual PhD theses from this study. Finally, the team was supported by six students majoring in Entrepreneurship at TUM, who all wrote their individual theses based on the data collected. They mostly assisted in the data analysis by transcribing the audio-taped interviews into written data (a process which was closely supervised and controlled by the research team – cf. chapter 3.8.1. for details) and by collecting secondary data on the participating ventures.

More specifically, Mr. van der Linden and Mr. Schneck worked conjointly on designing the study, recruiting participants and collecting the data. The actual recruiting and data collection was divided between the two researchers in that each was in charge of the specific startups recruited. This split was done in order to facilitate the interaction with the respective startups and to assure full ownership. Moreover, the split enabled each researcher to get intimately familiar with the respective ventures and to thus recognize extant information gaps and inconsistencies across interviews. Finally, each interviewee could have an “objective eye” (Eisenhardt, 1989, p. 538) on the ventures it did not interact with, which enabled investigator triangulation and thus strengthened the construct validity (Eisenhardt, 1989; cf. chapter 3.3).

Overall, 61 interviews with 20 startups were conducted, totaling in 76 hours and 15 minutes of recordings (29 interviews with nine startups were conducted by Mr. van der Linden, 32 interviews with eleven ventures were held by Mr. Schneck). Having collected the data, each researcher proceeded individually with the data analysis and theory building process. The foci of the resulting individual PhD theses are:

Mr. van der Linden:	Strategic approaches to venture internationalization[25]
Mr. Schneck:	The impact of post-entry speed on International New Venture performance

3.4.2 Project timeline

The Go Global study was initiated in January 2012. The first six months were dedicated to preparing and planning the study. For example, the research design was defined, the acquisition process and the data collection instruments prepared. In June 2012, the acquisition process was started and a few weeks later, the data collection was initiated and first interviews were conducted (July 2012). After the first interviews were completed, the data analysis was initiated (starting in August 2012) and was mostly finalized by June 2013. Starting in April

[25] Working title, research project is not completed yet.

2013, the theoretical model was finalized and the thesis created. Figure 1 summarizes the timeline.

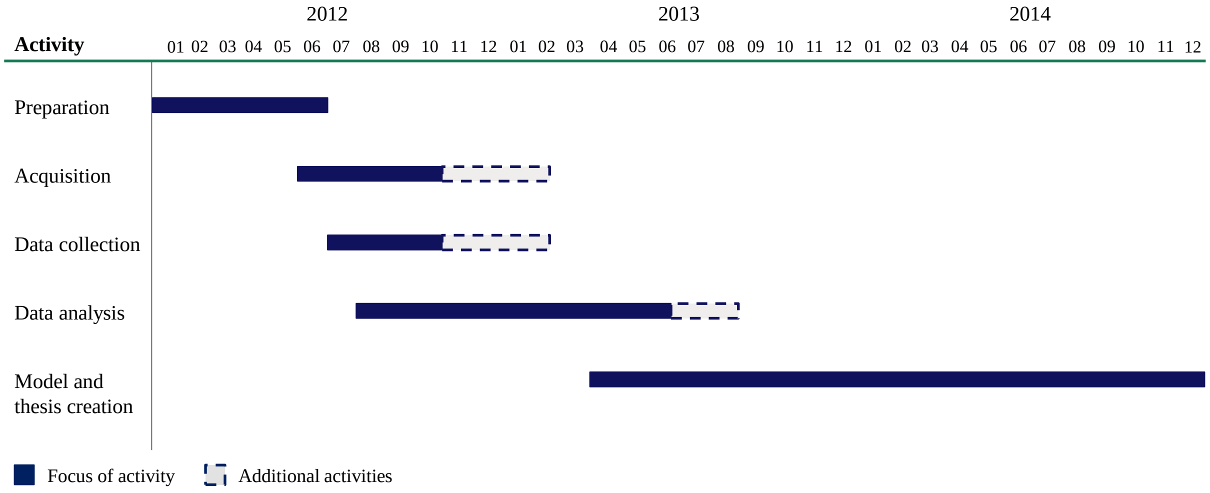

Figure 1: Project timeline (Mr. Schneck)
Source: Own illustration

3.4.3 Overall research approach

As explained in the prior section, the Go Global study was designed as a qualitative case study research project (cf. chapters 3.1 and 3.2). In order to collect the data, the research team conducted semi-structured interviews with all founders and with at least one key employee actively involved in the internationalization process of the venture. To enrich the interview data, to capture additional insights and to strengthen the quality of research, the interviews were complemented by additional data sources. Surveys from at least one founder and one employee were collected (covering both descriptive facts about the ventures and evaluations of specific effects and satisfaction levels (e.g. satisfaction with the financial performance)), field notes on first-hand impressions from the interviews were taken and secondary data (such as annual reports and press clippings) on each venture was gathered (see chapter 3.7. for details on the data gathered). Overall, 61 interviews were conducted, 47 surveys collected, 20 slides of field notes taken and more than 300 press articles screened.

3.4.4 Acquisition process

The actual acquisition was mainly done via telephone. To assure a high level of professionalism throughout the acquisition phase, this process was well prepared and facilitated by several tools designed upfront. For example, the research team designed a web page and developed a flyer with general information on the project (e.g. covering the research objectives, process and incentives), defined guidelines for the acquisition via telephone and prepared an FAQ sheet. Moreover, a systematic tracking table for the acquisition (including the startups contacted, contact details, the current status of the interaction, etc.) was created.

For the acquisition of participating ventures, Mr. van der Linden and Mr. Schneck mostly used their personal and professional networks. Moreover, accelerators and incubators as well as several entrepreneurship centers were contacted. From these sources, a long-list of 480 startups was created. These 480 startups were then screened for the fulfillment of four specific criteria defined upfront based on theoretical considerations such as established frame conditions in related literature and the objective to assure a high comparability across all participants. These criteria were (i) being founded in Germany; (ii) being less than eight years old at the time of the data collection; (iii) having entered the first international market within three years after foundation and (iv) generating at least ten percent international sales at the time of the data collection.

Firstly, only *startups founded in Germany* were considered in order to avoid a reduced comparability due to home country related effects such as regulations, subsidies or customs (Sapienza et al., 2003; Shrader et al., 2000; Zahra & Hayton, 2008). Secondly, only firms *younger than eight years* at the time of the data collection were included to assure the ventures are still considered as startups (Autio et al., 2011; Miller & Camp, 1985). Thirdly, to comply with common definitions of INVs, only startups *entering their first international market within three years after foundation* were considered (Coviello, 2006; Knight & Cavusgil, 2004; Knight et al., 2004; Madsen & Servais, 1997; Zucchella et al., 2007). Fourthly, in line with INV definitions suggesting that these ventures should generate a significant share of sales from their international activities (for example five percent (McDougall, 1989; Zahra et al., 2000) or 20 percent (Zhou et al., 2010)), only ventures generating *at least ten percent of international sales* were considered.

While 341 startups did not meet all four criteria based on an initial screening, the remaining 139 startups were contacted via phone (or sometimes via email). Out of these startups contacted, 119 startups either turned out to not fulfill all criteria after an initial telephone conversation (mostly they were found to have a too low share of international sales, a figure which often was not publicly available) or decided not to participate in this study (often due to time constraints). Overall, 20 ventures agreed to participate in this study and fulfilled all four selection criteria. Figure 2 summarizes the acquisition stages.

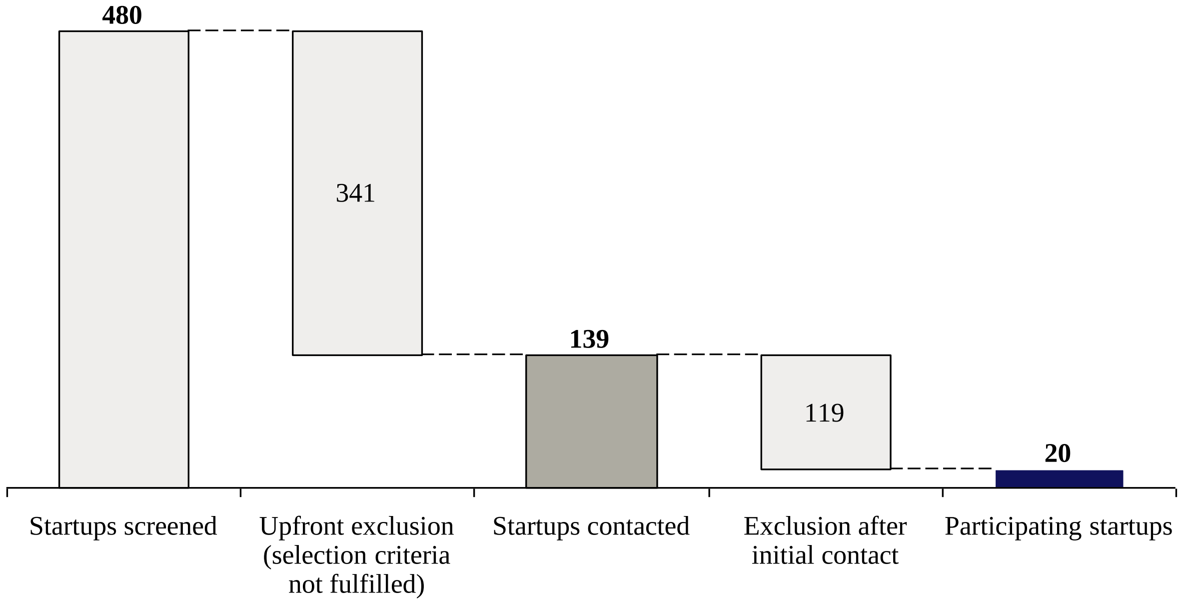

Figure 2: Startup acquisition funnel
Source: Own illustration

Table 2 below provides an overview on the 20 ventures that were selected to participate in the Go Global study. Importantly, due to the highly strategic nature of the topics discussed, the protection of the startup identity and the assurance of full confidentiality were of central importance for all teams. Thus fictitious names had to be used. For the same confidentiality reasons, information revealing the startup identity such as the exact location of the headquarters or a detailed description of the product or service offered, as well as exact values regarding the foundation date, the international footprint or key financials could not be revealed. However, the ranges provided for key figures allow a sufficient categorization of the ventures. Moreover, all essential information based on which the theory is built will be provided in the according analytical sections (cf. chapters 4 and 5) and thus the transparency for the reader is assured.

The research team intended to recruit startups from a wide range of industries as well as with different size and international footprint to increase generalizability (Eisenhardt, 1989; Yin, 2009). As illustrated, startups from seven different industries could be convinced to participate – specifically from E-Commerce (6 ventures), IT (4 ventures), Services (3 ventures); Industrial goods (2 ventures); MedTech (2 ventures); Fashion (2 ventures) and Energy (1 venture). Moreover, the participating startups ranged from three to (considerably) more than 100 employees; have entered between two and more than 20 foreign countries and generated an international sales share ranging from around ten to more than 60 percent.

Startup	Industry	Foundation	Employees (2012)	Number of countries	International sales (%)
Venture 1	E-Commerce	2011	51-100	11-15	> 60%
Venture 2	E-Commerce	2010	> 100	11-15	> 60%
Venture 3	MedTech	2008	11-20	16-20	> 60%
Venture 4	Fashion	2007	6-10	> 20	> 60%
Venture 5	Industrial goods	2006	11-20	11-15	21 - 40%
Venture 6	Services	2008	11-20	1-5	≤ 20%
Venture 7	Fashion	2010	1-5	1-5	21 - 40%
Venture 8	MedTech	2006	6-10	6-10	41 - 60%
Venture 9	Services	2008	11-20	1-5	≤ 20%
Venture 10	IT	2009	1-5	1-5	≤ 20%
Venture 11	Energy	2010	6-10	6-10	> 60%
Venture 12	Industrial goods	2007	6-10	6-10	21 - 40%
Venture 13	IT	2010	6-10	6-10	> 60%
Venture 14	E-Commerce	2012	51-100	1-5	≤ 20%
Venture 15	IT	2009	21-50	11-15	≤ 20%
Venture 16	E-Commerce	2010	1-5	6-10	≤ 20%
Venture 17	E-Commerce	2008	51-100	1-5	21 - 40%
Venture 18	IT	2010	1-5	> 20	> 60%
Venture 19	Services	2005	> 100	6-10	> 60%
Venture 20	E-Commerce	2011	11-20	6-10	≤ 20%

Note: Facts and figures refer to time of the interview if not stated differently

Table 2: Overview on participating startups of Go Global study
Source: Own illustration

In total 30 founders and 31 employees were interviewed. From these 61 interviewees, the majority was male (77 percent).

3.5 Research process overview – sampling, data collection and data analysis

As described above in the quality criteria, assuring a high construct validity requires full transparency on the "chain of evidence" (Yin, 2003, p. 105) and the path from the research question to the final conclusion (Gibbert et al., 2008; Yin, 2003). Consequently, this path, consisting of the sampling decisions, the data collection and the data analysis (split into documentation, coding, within-case and cross-case analysis) is outlined in Figure 3 and will be elaborated in detail in the following chapters.

Figure 3: Research process overview
Source: Own illustration

Importantly, as the figure reveals, this research process was highly *iterative* – both across sampling, data collection and data analysis and within the specific analysis steps. The frequent iterations strengthen the quality and novelty of qualitative research considerably (Edmondson & McManus, 2007; Eisenhardt, 1989; Flick, 2009; Miles & Huberman, 1994). As Miles and Huberman (1994) summarized:

> "We strongly recommend early analysis. It helps the field-worker cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better, data. It can be a healthy corrective for built-in blind spots. It makes analysis an ongoing, lively enterprise that contributes to the energizing process of fieldwork. […] So we advise interweaving data collection and analysis from the start" (p. 50).

Furthermore, the iterative approach according to Eisenhardt (1989) "not only gives the researcher a head start in analysis but, more importantly, allows researchers to take advantage of flexible data collection" (p. 539). Examples for this flexibility are adaptations of the data collection instruments in order to capture important emergent topics (cf. chapter 3.7) and the conscious selection of additional cases based on recent findings to maximize the information richness (cf. chapter 3.6) (Eisenhardt, 1989; Miles & Huberman, 1994). As Edmondson and McManus (2007) stated, this approach "help[s] reveal themes and issues that recur" (p. 1163) and allows to explore interrelations emerging from the analysis that "need further exploration" (p. 1163). Consequently, gaps in the current dataset – and in the understanding of the subject – could be closed (Miles & Huberman, 1994). In accordance with Eisenhardt (1989), the flexibility was only used very selectively and all adaptations were well-documented to ensure transparency for the reader and to maintain aforementioned rigor (cf. e.g. chapter 3.7.1 for adaptations in the interview guideline) (Eisenhardt, 1989).

3.6 Sampling and case selection

The sampling process in case studies is of key importance since it has a major impact on the conclusions that can be drawn from the study as well as on the validity of these conclusions (Miles & Huberman, 1994). Thus, the sampling strategy applied in this study as well as the case selection process used will be presented in detail in the following.

Scholars differentiate between two general selection strategies: *Random sampling,* which means a selection based on statistical criteria and *theoretical sampling,* that is selecting cases based on theoretical considerations and criteria (Eisenhardt, 1989; Flick, 2009). According to Eisenhardt (1989), the sampling strategy should be selected based on the research objective.

While random sampling is suitable for testing hypotheses and statistical verifications, theoretical sampling should be used for generating deeper insights and for both creating and expanding theory (Eisenhardt, 1989; Flick, 2009; Yin, 2011). As Eisenhardt (1989) summarized: “While the cases may be chosen randomly, random selection is neither necessary, nor even preferable” (p. 537). Flick (2009) even pointed out that “theoretical sampling is considered the royal way for qualitative studies” (p. 131).

The purpose of theoretical sampling is the selection of those cases with the highest relevance and richest contribution to the study (Yin, 2011). To achieve this, several approaches such as extreme case sampling, maximum variation sampling and sampling of critical cases can be applied (Eisenhardt & Graebner, 2007; Flick, 2009; Gläser & Laudel, 2010; Yin, 2009). Since several authors explicitly recommend the use of “polar types” (Pettigrew, 1990, p. 276), described as purposeful selection of extreme cases in order to best identify contrasting patterns and interrelations (Eisenhardt, 1989; Pettigrew, 1990; Yin, 2011), this approach was selected.

As stated in the research process description (chapter 3.5), this theoretical, extreme case selection was not a linear process but iteratively interwoven with the data collection and analysis (Glaser & Strauss, 1999; Miles & Huberman, 1994). This iterative, multi-stage selection is required in order to enable abovementioned purposeful selection based on the richest contrasting and highest additional contribution of the case added. As Miles and Huberman (1994) stated:

> “Samples in qualitative studies are usually not wholly prespecified, but can evolve once fieldwork begins. Initial choices of informants lead you to similar and different ones; observing one class of events invites comparison with another; and understanding one key relationship in the setting reveals facets to be studied in others” (p. 27).

Having decided on the selection strategy, the question arises when to stop adding additional cases and thus how many cases to include in the overall study (Yin, 2003). Eisenhardt (1989) stated that “a number between 4 and 10 cases usually works well” (p. 545) since less than four might result in to simplistic theory and limited empirical grounding while for “more than 10 cases, it quickly becomes difficult to cope with the complexity and volume of the data” (p. 545). Even more important than the absolute number of cases is however the *theoretical saturation*, described by Glaser and Strauss (1999) as the point at which one additional case does not add significant information or learnings for example with respect to new categories or relationships. As Eisenhardt (1991) summarized: “The concern is not whether two cases are better than one or four better than three. Rather, the appropriate number of cases depends upon how much is known and how much new information is likely to be learned from incremental cases” (p. 622).

In this study, the sample was selected in a three-step process based on theoretical criteria, quality and completeness of data and extreme case selection. Specifically, the following criteria were applied:

- First step: Initial selection of 20 cases for the Go Global study based on theoretically motivated criteria. As described above (cf. chapter 3.4.4), the selection criteria were being founded in Germany, being less than eight years old and, in accordance with common INV criteria, having expanded internationally within the first three years after foundation and having achieved a share of international sales of at least ten percent.
- Second step: Exclusion of four cases with incomplete data or insufficient insights into topic of interest; that is the internationalization-performance-relationship and its key contingent factors (Patton, 2002).
- Third step: Final selection in iteration with the data analysis (Glaser & Strauss, 1999; Miles & Huberman, 1994) and based on extreme case considerations (Pettigrew, 1990) – particularly based on a high vs. low PES of venture internationalization as well as on deviations in performance outcomes – until theoretical saturation was reached after nine cases (Glaser & Strauss, 1999).

Above-described iterative sampling process resulted in a diverse sample of nine startups, summarized in Table 3. As for the description of the overall sample of the Go Global study (cf. chapter 3.4.4), fictitious venture and team member names as well as ranges regarding descriptive values and KPIs had to be used in order to protect the anonymity of all participants and to comply with confidentiality commitments. The five teams with high PES (‘fast’ teams) are labeled F1 to F5; the four teams with a low PES (‘slow’ teams) are labeled S1 to S4. Team members of each firm start with the same letter (e.g. ‘A’ for team F1) to ease the readability. For critical facts, ranges were used. However, as stated, all essential information based on which the theory is built could be provided to a sufficient level of detail in the respective analytical sections (cf. chapters 4 and 5) and thus the transparency for the reader is assured.

Startup	PES	PES category	Foun-dation	Employees (2012)	Industry	Number of countries	Regions	International sales (%)
F1	15	Fast	2011	51 - 100	E-Commerce	11 - 15	Asia, Americas, Australia, Europe	> 60%
F2	12	Fast	2010	> 100	E-Commerce	11 - 15	Asia, Americas, Australia, Europe	> 60%
F3	10	Fast	2008	11 - 20	MedTech	16 - 20	Africa, Asia, Americas, Australia, Europe	> 60%
F4	8.6	Fast	2007	6 - 10	Fashion	> 20	Africa, Asia, Americas, Australia, Europe	> 60%
F5	8	Fast	2006	11 - 20	Industrial goods	11 - 15	Asia, Americas, Europe	21 - 40%
S1	1.6	Slow	2008	11 - 20	Services	1 - 5	Europe	≤ 20%
S2	1.5	Slow	2010	1 - 5	Fashion	1 - 5	Asia, Europe	21 - 40%
S3	1.3	Slow	2006	6 - 10	MedTech	6 - 10	Asia, Americas, Europe	41 - 60%
S4	0.6	Slow	2008	11 - 20	Services	1 - 5	Europe	≤ 20%

Note: Facts and figures refer to time of the interview if not stated differently

Table 3: Overview on final sample
Source: Own illustration

The ventures included in the sample are relatively heterogeneous with respect to firm size, industry coverage and international footprint, which strengthens the generalizability of findings (Eisenhardt, 1989; Yin, 2009). Startups ranging from three to (considerably) more than 100 employees as well as from E-Commerce (2 ventures); Services (2 ventures); MedTech (2 ventures); Fashion (2 ventures) and Industrial goods (1 venture) were included in the sample. With regard to their international footprint, ventures ranged between two and more than 20 foreign countries entered; were present in up to five regions and generated an international sales volume ranging from around 15 to more than 60 percent at the time of the interviews. In the following, the data collection will be presented.

3.7 Data collection

According to Yin (2003) the preparation and execution of the data collection “can be complex and difficult. If not done well, the entire case study investigation can be jeopardized” (Yin, 2003, p. 57). An essential decision in this phase is which data collection method(s) to use (Edmondson & McManus, 2007; Flick, 2009). As Eisenhardt and Graebner (2007) stated, researchers can choose from various options in case study research such as “interviews, archival data, survey data, ethnographies, and observations” (p. 28). According to Flick (2009), the appropriateness of these methods for the specific research question depends “on the goal of the research” (p. 211). As stated, the goal of this exploratory research project is to close the gap in extant theory regarding the internationalization-performance-relationship and its contingent factors by building a robust model (cf. chapter 1). *Interviews* were considered to ideally meet this purpose and were thus selected as the main data collection instrument (cf. chapter 3.7.1). As discussed in chapter 3.3, building robust theory and fulfilling aforementioned quality criteria requires the triangulation of results with *additional data sources* (Eisenhardt, 1989; Gibbert et al., 2008; Yin, 2003). According to Rossman and Wilson (1985), these additional sources and methods not only enable corroborating results, but also enrich the analysis by elaborating new details and by initiating new thoughts and interpretations. Consequently, in this study, the interviews were complemented with survey data, field notes and secondary data from press research. These data collection instruments will be described hereafter.

3.7.1 Interviews

> "Interviews are a highly efficient way to gather rich, empirical data" (Eisenhardt & Graebner, 2007, p. 28).

In accordance with the statement from Eisenhardt and Graebner (2007) interviews were used as the key source of information for the Go Global study. For each venture participating in the study, all founders and at least one key employee actively involved in the internationalization (e.g. Head of Business Development or International Sales) were interviewed. Interviews were held in a *semi-standardized, personal form* based on an interview guideline with pre-specified topic areas (Flick, 2009). For an exploratory research project and the design selected (comparative case study), this interview format offers several advantages and is thus widely used and recommended by scholars (Eisenhardt, 1989; Flick, 2009; Miles & Huberman, 1994). Firstly, the pre-structuring along topic areas or, as Miles and Huberman (1994) frame it, a certain degree of "standardization of instruments so that findings can be laid side by side" (p. 35) ensures comparability across multiple cases. Secondly, broadness of the pre-structuring nevertheless gives the researcher enough flexibility to explore specific topics in depth and allows the creation of a natural atmosphere in the interview, which is important for capturing implicit knowledge and hidden interrelations (Flick, 2007; Fontana & Frey, 2011; Gläser & Laudel, 2010). Thirdly, the intimacy of personal interviews (versus e.g. group discussions) fosters the creation of trust which according to Fontana and Frey (2011) "is essential for the success of the interviews" (p. 708) and again contributes to aforementioned natural atmosphere and the resultant capturing of implicit knowledge (Flick, 2007; Fontana & Frey, 2011; Gläser & Laudel, 2010). To conclude, this interview format ideally meets the objectives of this study and was thus selected.

The basis for semi-structured interviews is an interview guideline, which is structured along topic areas and which includes both broader questions in order to capture explicit, highly present knowledge and more specific follow-up questions in order to explore selective fields more in depth and to capture implicit knowledge in these fields (Flick, 2007). Fontana and Frey (2011) furthermore recommended to set the initial focus of the interview on gaining trust and to gradually shift from more general to more specific and sensitive questions:

> “The researcher begins by “breaking the ice” with general questions and gradually moves on to more specific ones while also-as inconspicuously as possible-asking questions intended to check the veracity of the respondent's statements” (p. 712).

The interview guideline of the Go Global study was designed in accordance with the recommendations of these authors. The initial focus was set on building trust and breaking the ice through the use of small talk and a personal introduction, followed by information on the Go Global study and the interview structure as well as an explicit notice on the confidentiality of the data. Then questions gradually shifted to more sensitive topics such as the hurdles and supporting factors of internationalization and ultimately the financial and non-financial effects of internationalization on the firm. Within each topic area, broad questions allowing the interviewee to reveal the explicit knowledge were followed by more specific questions covering important details. To address aforementioned flexibility of the researcher (Flick, 2007; Fontana & Frey, 2011; Gläser & Laudel, 2010), questions were furthermore prioritized according to their importance. While ‘core questions’ (priority 1) had to be covered in the interview to assure comparability of data, optional questions (priority 3) could be skipped or kept short in case more time than anticipated was spent on more central topics. Overall, the interview guideline covered six topic areas, and contained 49 questions (thereof 20 priority 1; 26 questions priority 2; 3 questions priority 3).

Figure 4 summarizes the main topics of the interview guideline. The complete interview guideline including the prioritizations is provided in the appendix (Table 23).

Topic areas:	Specific topics:
Introduction	• Smalltalk and personal introduction • Information on the Go Global study and on the interview structure • Confidentiality notice regarding the interview data
General information	• Company details (e.g. business model, core competences, weaknesses) • Personal details (e.g. motivation for founding / joining the company)
Internationalization path and drivers	• Motivation and drivers for the internationalization • Initial hurdles for the internationalization • Internationalization path (e.g. countries entered, timing and form of entry)
Preparation	• Preparation for the internationalization on the company-side (e.g. planning) • Personal preparation • Learnings in this context
Hurdles and supporting factors	• Supporting factors as well as hurdles and challenges • Role of external supporters • Failure
Effects of the internationalization	• General effects on the company and on the interviewee • Impact on the competitiveness (e.g. on the image or the innovativeness) • Financial effects (sales, costs, profitability)

Figure 4: Overview of interview guideline content
Source: Own illustration

Importantly, the interview guideline was created, tested and optimized in several steps (cf. Figure 5). Guided by the research question, and by recommendations on the design of interview guidelines by theorists such as aforementioned suggestions by Flick (2009) and Fontana and Frey (2011), the criteria for good interviews by Merton and Kendall (1979) and the test criteria for interview questions defined by Ullrich (1999), topic areas and associated questions were drafted. In a second step, an expert interview with the former CEO of an international SME was conducted. As proposed by Meuser and Nagel (2002), the expert interview was used in order to uncover neglected factors and achieve a deeper grounding of the guideline and was focused on the specific areas of expertise of the interviewee (in particular the effects of internationalization). In a third step, test interviews with two research fellows and with two founders of startups were conducted. The first purpose of these test interviews was practicing the interview situation which according to Yin (2003) is essential to increase the “expertise” (p. 81) as well as the “efficiency and professional satisfaction” (p. 81) of the investigator and the research project. Each researcher conducted two interviews that were observed by the other researcher. Afterwards, feedback sessions were conducted. Through this procedure, the learning was maximized and the interview style was assimilated, which enhanced the comparability of the data (Flick, 2009). The second purpose was verifying the comprehensibility and unambiguousness of the questions (Flick, 2009; Fontana

& Frey, 2011). As Fontana and Frey (2011) stated: “The use of language, particularly that of specific terms is important to create a "sharedness of meanings" in which both interviewer and the respondent understand the contextual nature of specific referents” (p. 712). Finally, the interview guideline was adjusted after the first case based on the learnings from the interviews. Specifically, questions on the ‘external supporters’ (especially investors) were added since this topic turned out to be of high interest for the research question. This approach is in line with the recommendation by Eisenhardt (1989) to iterate between data collection and data analysis (cf. chapter 3.5) and, related, with her proposition to alter the guideline in case promising opportunities for capturing additional, interesting data appear:

> “Thus, if a new data collection opportunity arises or if a new line of thinking emerges during the research, it makes sense to take advantage by altering data collection, if such an alteration is likely to better ground the theory or to provide new theoretical insight” (p. 539).

Figure 5: Process of interview guideline creation
Source: Own illustration

The case interviews were conducted between July 2012 and February 2013. In total 20 startups were interviewed and 61 interviews conducted (thereof 30 founders and 31 employees). Interviews on average lasted 75 minutes, which resulted in around 4.575 min (i.e. 76 hours and 15 minutes) of interview recordings (cf. chapter 3.8.1). As explained in the introduction to the Go Global study (chapter 3.4), the interviews were conducted by a team of two researchers (Mr. van der Linden and Mr. Schneck, author of this dissertation). According to Eisenhardt (1989), this has two major advantages: “First, they enhance the creative potential of the study. Team members often have complementary insights which add to the richness of the data, and their different perspectives increase the likelihood of capitalizing on any novel insights which may be in the data. Second, the convergence of observations from multiple investigators enhances confidence in the findings. Convergent perceptions add to the empirical grounding of the hypotheses, while conflicting perceptions keep the group from premature closure” (p. 538). In the field, both researchers focused on specific startups, which eased the interaction with the respective teams, enabled a deeper understanding of the specific businesses, facilitated the identification of inconsistencies within each venture and, finally, allowed having an “objective eye to the evidence” (Eisenhardt, 1989, p. 538) by the researcher who did not interact with the firm (Eisenhardt, 1989). Ultimately, this thus allowed for investigator triangulation and consequently strengthened the construct validity and overall quality of research (cf. chapter 3.3).

3.7.2 Surveys

The survey was the second central data source of the Go Global study. The two main objectives for using a survey were, firstly, enabling aforementioned triangulation of interview findings, elaboration of rich details and initiation of new insight (Eisenhardt, 1989; Gibbert et al., 2008; Rossman & Wilson, 1985; Yin, 2003) and secondly, relieving the interview from descriptive data. As summarized in Figure 6, the survey asked for information on the person, the company, the industry, the internationalization path, and for an evaluation of the effects of internationalization on the firm.

Topic areas:	**Specific topics:**
Introduction	• Information on the Go Global study and the survey structure • Confidentiality notice regarding the survey data
Personal information	• Biographic information • Professional background • International experience and language skills
Information on the company	• Company details (e.g. year of foundation, industry, financial KPIs) • Role and involvement of external supporters • Learning orientation and ability to change of the company
Information on the industry	• Degree of globalism of the industry • Competitive intensity • Dynamism of the industry
Internationali-zation path	• Details per market entry (e.g. entry date and mode, motivation and planning, preparation of the entry, degree of localization) • Evaluation of the respective entry (e.g. contribution to overall sales, satisfaction)
Effects of the internationali-zation	• Rating of the effects on important KPIs (sales, profitability, market share, liquidity) • Evaluation of the overall effects on the company and the competitiveness

Figure 6: Overview of survey structure and content
Source: Own illustration

The creation process of the survey was similar to the process for the interview guideline. A first draft was developed based on the interview topics. To assure comprehensibility and ease of use, this draft was tested on two research fellows and two founders of startups. Based on feedback from respondents and on learnings from the interview and survey results, this version was adapted after the first company. Specifically, questions on specific dates of the market entry process (e.g. date of first sale) and on the role of external supporters were added.

To balance the objective of gaining a rich dataset and the necessity of keeping the effort for the participants reasonable, two survey versions were created. The *long version* lasted around 30 minutes and included both descriptive data (e.g. specific dates for the internationalization path) and evaluations (e.g. the satisfaction with the financial performance). This version was sent to the CEO in order to capture his or her expertise. For the *short version*, around 20 minutes long, descriptive questions were excluded. This version was sent to at least one additional founder (in case of more than one founder) and at least one employee interviewed. Finally, to optimize both the usability on the participants' side and the ease of data analysis on the researchers' side, the survey was exclusively operated online and through the use of *unipark*[26]. Of the 61 interviewees, 47 participants responded to the survey (77 % response rate) and 31 participants completed the survey (51 % completion rate). For the nine teams included in this study, at least two usable questionnaires per team were available and thus a comparison of values within the teams was possible, which increased the validity of the survey results and the overall research (cf. chapter 3.3). Importantly, since many participants did not provide data on sensitive topics (e.g. on financials) and since the survey was designed for the broader research question of the Go Global study (the INV internationalization process and the effects of early internationalization) – that is before the specific research question of this study and the corresponding model emerged from the iterative analysis of the data (cf. chapter 3.8,) – not all constructs and relationships could be backed up by survey data. Nevertheless, the survey data could be used to corroborate various findings, and thus "contribute to greater confidence in the generalizability of results" (Jick, 1979, p. 604) (cf. within-case analysis in chapter 4 and cross-case analysis in chapter 5). Furthermore, new thoughts on important variables such as the role of specific individual experiences (cf. chapter 5.7) were fostered by the data provided by the survey (Rossman & Wilson, 1985).

3.7.3 Additional data sources

To further foster the richness of data and the construct validity by means of data triangulation, interview and survey data was complemented by two additional data sources: *Field notes* on observations during the interviews and a *press research* on each venture.

Field notes according to van Maanen (1988) can be described as continuous, intentional note-taking of impressions and can contain both observations and first analytical findings. As Pettigrew (1990) emphasized, field notes can offer high value-added to the researcher:

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[26] Unipark is an online program for the creation and administration of surveys.

> “Direct observation provides access to group processes and can confront the researcher with discrepancies between what people have said in interview and casual conversations, and what they actually do. Crucially, data collection is concerned with observation and verification [...]” (p. 277).

Field notes therefore are an important data source, enable the triangulation of data with documented observations and impressions and ease the analytical process due to the capturing of first findings and insights (Eisenhardt, 1989; Flick, 2009; Fontana & Frey, 2011; Miles & Huberman, 1994). Several researchers gave recommendations on how to develop field notes. Eisenhardt (1989) proposed to document all impressions, independently from the perceived relevance at the time of the observation, and she furthermore pointed out: “A second key to successful field notes is to push thinking in these notes by asking questions such as “What am I learning?” and “How does this case differ from the last?”” (pp. 538–539). Finally, Miles and Huberman (1994) stated that field notes should be written down and made available to the entire research team. Following these suggestions, detailed field notes were taken during each interview by the respective researcher. These field notes were documented in a standardized PowerPoint template (cf. Figure 20 in the appendix) and were made available to the research team.

Secondary press data was the final data source for the Go Global study. Yin (2011) underlined its importance for current research:

> “For most topics covered by qualitative research, these days you should probably spend some time checking for relevant “Web-based”-information. The massive amount of available information is likely to have a few if not many useful clues for your research” (p. 149).

In accordance with this suggestion, an intensive web research was performed for each startup. To counteract the risk of getting lost in an almost endless amount of unstructured, digital data (Flick, 2009; Yin, 2011), the web research and resultant documentation of findings was guided by a predefined *company profile* (cf. Table 24 in the appendix). This excel-template was designed to capture data on the company (e.g. company vision, awards, investors), KPIs (e.g. financials, number of employees), on the industry and the market (e.g. market size, market growth, major trends) and on the internationalization (e.g. target markets, entry date and form per market) in a systematic way. Furthermore, the template contained an open category in which additional relevant information could be documented. The templates were initially filled out by aforementioned students supporting the research team. They performed an open web research and used databases such as LexisNexis (2013) and Creditreform (2013).

A follow-up research conducted by a member of the main research team (Mr. van der Linden or Mr. Schneck, author of this study) assured that the key information was captured from more than 300 articles in total.

3.8 Data analysis

> "Analyzing data is the heart of building theory from case studies, but it is both the most difficult and the least codified part of the process" (Eisenhardt, 1989, p. 539).

As stated by Eisenhardt (1989), the data analysis is a central cornerstone of the theory creation. Despite this, scholars frequently place little attention and emphasis on it (Eisenhardt, 1989; Miles & Huberman, 1994; Patton, 2002). This is particularly problematic for qualitative research projects, typically dealing with a large amount of data from different sources (in this study around 1,815 pages of interview transcripts, 47 surveys, 20 PowerPoint slides of field notes and more that 300 press articles), since the critical path from data to theory remains unclear for the reader (Miles & Huberman, 1994; Patton, 2002) or, as Yin (2011) phrased it, a "magical moment" (p. 176).

To address this issue and to assure a high transparency for the reader, the data analysis process applied in this study will be described in detail hereafter. As illustrated in the research process description (chapter 3.5), the analysis process is composed of the data documentation and an iteratively interwoven analysis phase, consisting of coding, within-case and cross-case analysis (Edmondson & McManus, 2007; Eisenhardt, 1989; Flick, 2009; Miles & Huberman, 1994). Each element will briefly be described in the following.

3.8.1 Documentation of data

Documenting data is the first step and the foundation for a transparent, high quality analysis or, as Flick (2009) phrased it, "an essential aspect in the construction of reality in the research process" (p. 294). It comprises both the recording and the transcription of the interviews (Flick, 2009). As already mentioned in the chapter on the data collection (chapter 3.7.1), all interviews were recorded with a digital dictation machine and were then transcribed.

As Flick (2009) stated, there is no established standard for transcription yet, but a transparent, high quality process is an important prerequisite for a thorough interpretation. To achieve this, the research team defined a comprehensive set of transcription rules including guidance on the formatting, on the smoothing and on specific situations, such as documentation of noises and pauses (cf. Figure 21 in the appendix). Furthermore, the transcription process was structured into four steps. In a first step, all interviews were transcribed by six students of TUM supporting the research team (cf. chapter 3.4.1). In a second step, these students smoothed the transcripts according to aforementioned rule set. Since the ‘track changes’ mode of Microsoft Word was used, all changes to the original transcript became fully visible. In a third step, the smoothing was critically examined by a member of the research team (Mr. van der Linden or Mr. Schneck) and discrepancies were discussed and solved. Fourthly, potential adaptations were implemented and the final version was created. This four-step process and the documentation of all versions (original transcript, smoothed version with ‘tracked changes’, final version) assured full transparency and thus increased the methodological rigor (Bansal & Corley, 2011; Eisenhardt, 1989). As mentioned, the 61 interviews conducted in this study on average lasted 75 minutes and yielded a transcript of 29.75 pages (times new roman, font size 12, spacing 1.5 lines). In total, the researchers thus could rely on around 1,815 pages of interview transcripts.

3.8.2 Coding

The next step in the data analysis, and thus in the critical path from data to theory was the systematic analysis of the interviews. To meet aforementioned quality criteria, and to deal with the large data volume in the most systematic and efficient way, the researchers *coded* the data. Coding is defined by Strauss and Corbin (1998) as “[t]he analytic processes through which data are fractured, conceptualized, and integrated to form theory” (p. 3). This conceptualization is done based on codes, defined as “tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study […] attached to “chunks” of varying size-words, phrases, sentences, or whole paragraphs, connected or unconnected to a specific setting” (Miles & Huberman, 1994, p. 56).

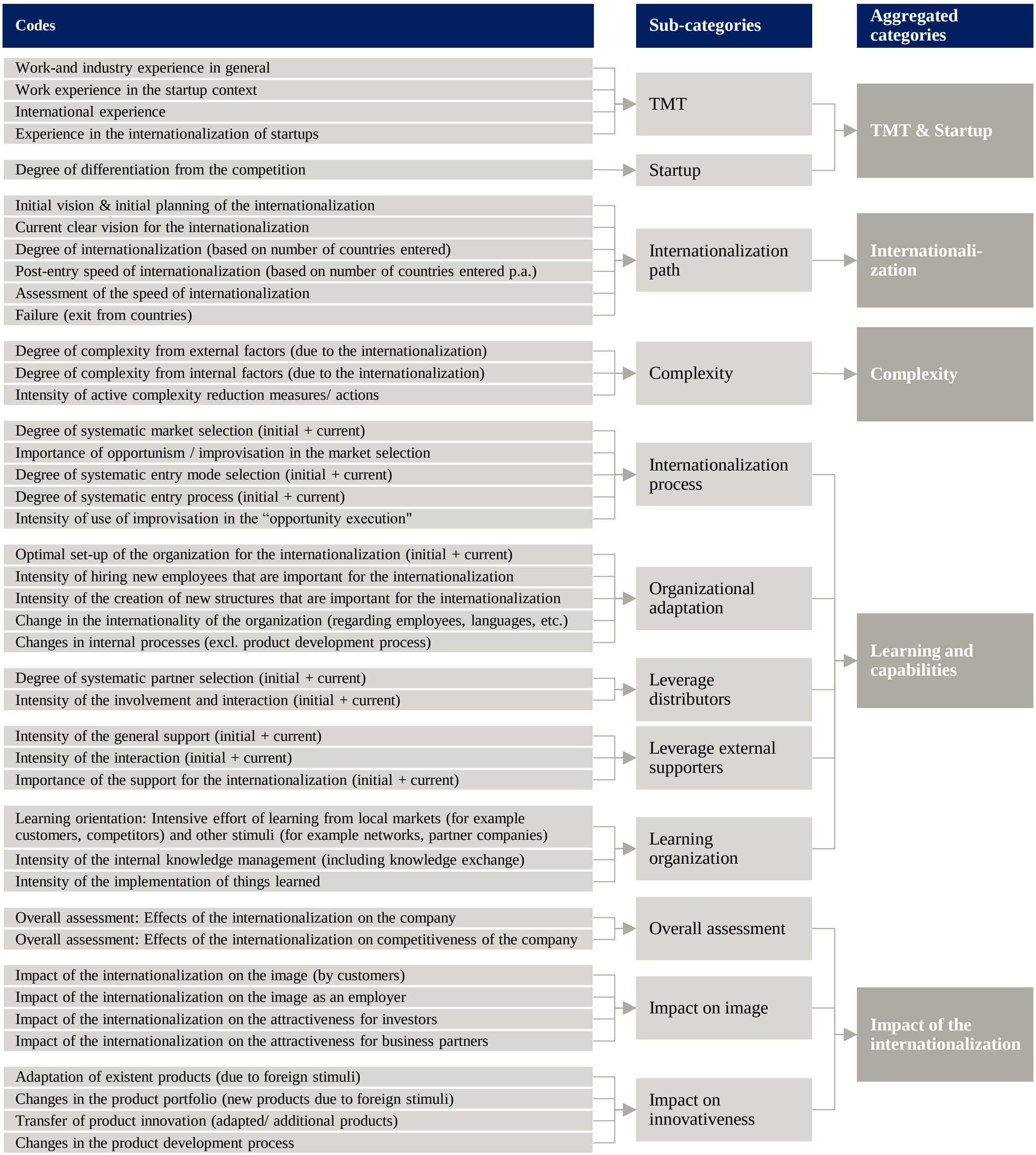
Several authors explicitly recommended the use of coding as an efficient way of illustrating data and of identifying constructs and interrelations (Bansal & Corley, 2011; Miles & Huberman, 1994). Bansal and Corley (2011) underlined the increasing popularity:

> “[….] we are seeing a trend toward coding, as it allows qualitative data to be shown efficiently and demonstrates the presence of constructs and their relationships” (p. 236).

The main objectives of coding according to Flick (2007) are dividing and understanding the text, creating categories (or codes), sticking chunks of text’ to these categories and thus structuring the text along these categories in the course of time. The coding process is composed of (i) defining codes, (ii) performing the actual coding and (iii) assessing the resultant codes.

Initially, a set of codes needs to be defined. This can be done in two ways: Deductive and theoretical or inductive and open (Flick, 2009; Miles & Huberman, 1994). For deductive or theoretical coding, a detailed initial coding scheme is defined *prior* to entering the field and "from the conceptual framework, list of research questions, hypotheses, problem areas, and / or key variables that the researcher brings to the study" (Miles & Huberman, 1994, p. 58). This approach is, however, criticized for fostering a rash focus on predefined categories without a close interaction with the data (Flick, 2009; Glaser & Strauss, 1999) and is more suitable for testing predefined assumptions (Thomas, 2006). In contrast, for the inductive coding, the researcher derives the codes from the data by reviewing the transcripts line by line and by generating a list of codes from this review (Miles & Huberman, 1994). According to Flick (2009), this inductive approach results in a deeper understanding of the text and is well-suited for building novel theory. In total, to assure that the theory is deeply embedded in the data and that theory is emerging without a strong prior theory driven bias, an inductive coding as proposed by Strauss and Corbin (1998) was selected.

In congruence with these authors, the actual *coding* was done in three steps. In a first step, an open coding, defined as "analytic process through which concepts are identified and their properties and dimensions are discovered in the data" (Strauss & Corbin, 1998, p. 101) was applied. Specifically, codes relevant for the purpose of this dissertation (i.e. exploring the performance implications of early internationalization) and particularly the 'why' and 'how' questions (e.g. 'how' does early internationalization influence the performance outcomes and 'how' is this relationship influenced by contingent factors such as PES) were derived from the text while working through the individual transcripts and iterating between the coding scheme and the interviews (Flick, 2009; Strauss & Corbin, 1998). Overall, the open coding process resulted in an initial coding scheme containing 68 codes of potential relevance for exploring the internationalization-performance-relationship. In a second step, defined by Strauss and Corbin (1998) as "[a]xial coding" (p. 123) or "process of relating categories to their subcategories" (p. 123), this 'longlist' was reduced by grouping and merging codes as far as possible. The final step was "[s]elective coding" (p. 143), which is the "process of integrating and refining the theory" (p. 143). It comprised a further grouping and selection of codes based on their relevance for the research question (Flick, 2009), which implies codes and categories were raised to a more abstract level and the focus was increasingly sharpened towards potential core codes and categories (Flick, 2009; Strauss & Corbin, 1998). In this study, the focus was set more and more on categories and codes also reflected in the final model (e.g. the category 'complexity' with the codes 'degree of complexity from external factors', ‘degree of complexity from internal factors’ and ‘intensity of active complexity reduction measures / actions’). In this phase, the author furthermore followed the recommendation of Miles and Huberman (1994) to compare the selected codes and categories with extant literature in order to assure no central constructs relevant for the context were left aside. Since the main constructs were covered, this comparison resulted in a sharpening of case labels and descriptions. Overall, above-described process resulted in a *final coding matrix* containing the input from all firms and underlying interviewees (in columns) on the 51 codes, grouped into 14 sub-categories and six aggregated categories. Figure 7 below gives an overview on these final codes and their aggregation.



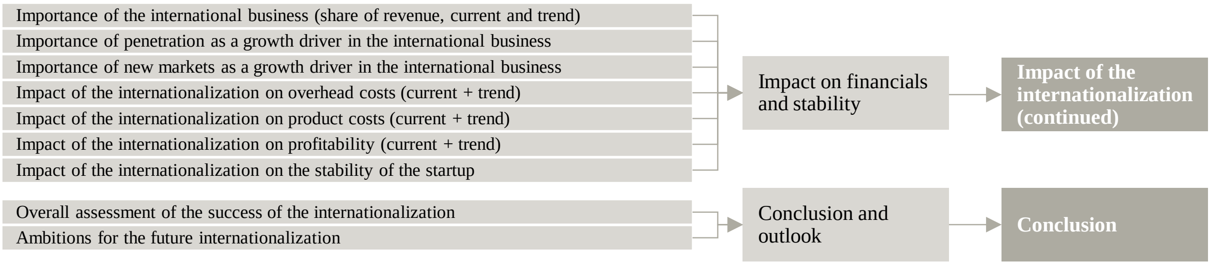


Figure 7: Aggregated coding scheme
Source: Own illustration

Operationally, the coding was done using specific coding software (here NVivo version 10 by QSR International), which enables a more systematic coding, more flexibility with respect to grouping and merging codes, and a considerably eased subsequent analytical process – and is thus particularly recommendable in light of high data volumes (Miles & Huberman, 1994).

After having defined and reworked the coding scheme, the *code assessment* was prepared and performed. In a first step, the *assessment scheme was defined*, which means one assessment item – or several items in case the code was broad – was / were defined for each code. For example, the code 'learning orientation' contained the assessment items (i) learning orientation towards international markets and (ii) learning orientation towards other stimuli (such as network partners). Furthermore, each assessment item was operationalized (i.e. a measurable / ratable definition was developed) and an assessment scale (normally a four-point scale from high to low) was assigned. To ease the assessment in the matrix and make patterns more visible, the ratings were visualized with color-ratings (high (green), medium-high (light green), medium-low (orange), low (red)).

In a second step, the *assessment scheme was revised* by a fellow researcher (Prof. Dr. Anne Domurath) which according to Miles and Huberman (1994) has a high value-added: "Definitions become sharper when two researchers code the same data set and discuss their initial difficulties" (p. 64). As recommended by these authors, both researchers coded one interview transcript and then intensively discussed any disagreements. These disagreements showed "that a definition has to be expanded or otherwise amended" (Miles & Huberman, 1994, p. 64) to minimize ambiguity and increased the "sharedness of meanings" (Fontana & Frey, 2011, p. 712), and thus resulted in a refinement of the assessment scheme.

This refinement was an essential prerequisite for the third step, the actual *assessment* across all cases, codes and assessment items by the author of this study and for the fourth step, the *aggregation of assessments* from the individual level (i.e. the founder or employee) to the firm level. For this aggregation, the average of all ratings on the specific code was used. In case of major deviations between team members, this deviation was highlighted (cf. chapter 4 for the individual assessments and aggregations). In a fifth step, an *interrater test*, that is an additional assessment by another member of the research team (project manager Prof. Dr. Domurath) and a comparison of the assessments with the ones by the author of this study, was done (Gibbert et al., 2008; LeBreton & Senter, 2008). This approach is of high importance for minimizing the subjective influence of the researcher on the assessment and for assuring a higher reliability and overall quality of research (Bakeman, 2000; Gibbert et al., 2008). After the initial assessment by both researchers, a workshop was conducted to compare divergences in ratings and to find consensus on the most appropriate ratings. The share of initial disagreement resultant from this comparison is an important indicator for the quality of the assessment and according to LeBreton and Senter (2008) can be measured in two ways: Through Interrater Reliability (IRR) or Interrater Agreement (IRA). As these authors stated, the IRR "refers to the relative consistency in ratings provided by multiple judges" (p. 816) while the IRA "refers to the absolute consensus in scores furnished by multiple judges" (p. 816)[27]. For the purpose of comparing ratings across cases (cf. chapter 5), the absolute consensus seemed to be more important and was thus selected. Overall, an IRA of 96.3% was reached in this study, which is a "very strong agreement" (p. 836) according to Gibbert et al. (2008) (the authors proposed an IRA of .71 - .90 as strong; and an IRA of > .90 as very strong agreement) and in line with IRAs reported in extant research (e.g. 91-96% agreement reported by Haynie and Shepherd (2011)).

Overall, this approach thus resulted in a highly reliable rating on individual and firm level assessments and the *final assessment matrix*, that is the coding matrix including the colored assessments, formed a strong basis for the within-case and cross-case analyses (cf. chapters 4 and 5). In the next section, the path from the systematic coding towards the emergence of theory is lined out.

3.8.3 Within-case and cross-case analysis

Having coded the data systematically, the question arises how to proceed towards the aspired outcome of theory formation. Miles and Huberman (1994) give guidance on this path:

> "It is crucial to have understood the dynamics of each particular case *before* proceeding to cross-case explanations. Without that, superficiality sets in" (p. 207).

[27] The author refer to Bliese (2000); James, Demaree, & Wolf (1993); Kozlowski & Hattrup (1992); LeBreton et al. (2003) for further discussions on IRA and IRR.

The underlying recommendation of getting closely familiar with the individual cases before moving to a comparative analysis is shared by Eisenhardt (1989), who proposed to initiate the analysis with a "within-case analysis" (p. 533) in order to achieve "familiarity with data" (p. 533), followed by a "cross-case pattern search" (p. 533), which "[f]orces investigators to look beyond initial impressions and see evidence thru multiple lenses" (p. 533). In accordance with these recommendations, the analysis of the coded data was split into two stages: Within-case analysis and cross-case analysis. In the following, the theoretical foundation for these two stages will be set. The resultant analyses will be developed in chapters 4 and 5 respectively.

Within-case analysis

> "The overall idea is to become intimately familiar with each case as a stand-alone entity. This process allows the unique patterns of each case to emerge before investigators push to generalize patterns across cases" (Eisenhardt, 1989, p. 540).

Following the advice of Eisenhardt (1989), the first step comprised of a detailed description and analysis of the individual cases (i.e. the teams and their interviewed members) in an isolated perspective (Eisenhardt, 1989; Miles & Huberman, 1994). This counteracts the superficiality-risk mentioned by Miles and Huberman (1994), enables the identification of first patterns and construct-interrelations on a case-by-case level and thus eases both the subsequent cross-case analysis and resultant theory creation (Eisenhardt, 1989; Miles & Huberman, 1994). Finally, it enables dealing with "the realities of case study research: a staggering volume of data" (Eisenhardt, 1989, p. 540).

With regard to the structure, the author decided to split the within-case analysis into a purely *descriptive part* on the respective cases (i.e. facts on the startups) and the *actual analysis*. Through this, facts are distinguished from interpretations, which strengthens aforementioned quality criteria and in particular the transparency for the reader (cf. chapter 3.3).

For the *descriptive part*, a standardized template, giving a clear overview on key facts (foundation, number of employees), industry and business model, team (founder(s) and key employee(s) interviewed) and international footprint (year of first international entry, number of countries, regions and share of international sales) was developed (cf. chapter 4).

For the *actual analysis*, there is no established "standard format" (Eisenhardt, 1989, p. 540), but Miles and Huberman (1994) gave some guidance. The authors recommended using data displays instead of purely descriptive write-ups in extended text form due to the lack of structure and the lengthiness of the latter. As they stated:

> "Analysis of qualitative data rests very centrally on displays that compress and order data to permit drawing coherent conclusions, while guarding against the overload and potential for bias that appears when we try to analyze extended text" (p. 141).

More specifically, Miles and Huberman (1994) recommend a "*partially ordered display*" (p. 101), described as displaying of data based on a certain pre-structuring for example along topic areas in focus of the case studies. The within-case analysis developed in the subsequent chapter is built based on these recommendations and is thus structured along the topics in focus (e.g. internationalization path and PES, complexity, specific capabilities, performance outcomes). To counteract the criticism on case study research regarding lengthiness and limited readability (cf. chapter 3.3), only the topics relevant for the theoretical model will be described in this dissertation.

Cross-case analysis

As proposed by several scholars (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2009), the within-case analysis should be complemented by a detailed cross-case analysis in order to identify reliable patterns across cases and to derive the theoretical model from these findings. Eisenhardt (1989) summarized the objectives and main benefits of this approach:

> "Overall, the idea behind these cross-case searching tactics is to force investigators to go beyond initial impressions, especially through the use of structured and diverse lenses on the data. These tactics improve the likelihood of accurate and reliable theory, that is, a theory with a close fit with the data. Also, cross-case searching tactics enhance the probability that the investigators will capture the novel findings which may exist in the data" (p. 541).

With respect to the structure of the cross-case analysis, Miles and Huberman (1994) recommended a transparent illustration of all cases in a structured way as a first step. For this purpose, the *assessment matrix*, described in the previous chapter (3.8.2), was used. This matrix conforms with the "[c]ross-case construct tables" (p. 184) proposed by Miles and Huberman (1994), in which all cases (in columns) are contrasted along the same topic areas and variables (in rows). According to Miles and Huberman (1994), these matrices are "a powerful way to understand differences across cases" (p. 187) and a "fundamental next step in understanding what's going on across cases". As the authors summarized:

> "Cross-case construct tables are an excellent way to understand a core concept because the way the variable plays out in different contexts illuminates its essential nature" (p. 184).

While this first structuring was very helpful as a starting point, the lengthiness and complexity of the assessment matrix resultant from the enormous data richness and multitude of interview statements behind specific cells made the recognition of patterns a major challenge. To ease the manageability of these "mega-matrices" (Miles & Huberman, 1994, p. 179) and the identification of patterns and interrelations across cases, four *cross-case searching tactics* proposed by Eisenhardt (1989) and Miles and Huberman (1994) were applied.

Firstly, individual dimensions (categories or variables – e.g. complexity or firm performance) were analyzed in search for similarities within and differences between specific subgroups of cases (Eisenhardt, 1989). Secondly, all cases were grouped based on PES (high vs. low). These groups were then contrasted and both similarities and differences listed (Eisenhardt, 1989). Thirdly, to get a clearer overview across the assessments, an extract only including the assessments (represented by colors) and few keywords on the major content but excluding the specific underlying interview data was created. Due to the resultant clear arrangement, this 'summary matrix' was very helpful for identifying patterns (cf. chapter 5 for an excerpt of this matrix). Fourthly, *"[s]catterplots"*, defined as "figures that display data from all cases on two or more dimensions of interest" (Miles & Huberman, 1994, p. 199), were used. For example, figures displaying PES and firm international growth or PES and specific capabilities (e.g. the intensity of leveraging foreign distributors) were used and turned out to be very valuable for pattern recognition.

In the course of above-described analysis process, tentative theoretical propositions emerged and were increasingly substantiated and sharpened while iterating between the building blocks of the analysis and in particular while applying the different searching tactics (Eisenhardt, 1989). As Eisenhardt (1989) described this process: "From the within-site analysis plus various cross-site tactics and overall impressions, tentative themes, concepts, and possibly even relationships between variables begin to emerge […]. The central idea is that researchers constantly compare theory and data—iterating toward a theory which closely fits the data" (p. 541). The details on and outcomes of the analysis process will be described in the following chapters. In particular, the within-case analysis (chapter 4) will be followed by a detailed cross-case analysis (chapter 5) and an intense discussion of the theoretical model derived and of its embedding in extant theory (chapter 6).

4 Case description and within-case analysis

This chapter introduces the reader to the nine cases used in this dissertation. As explained in the section on the research design (specifically chapter 3.8.3), the overall objectives behind the within-case analysis is "to become intimately familiar with each case as a stand-alone entity" (Eisenhardt, 1989, p. 540) which "allows the unique patterns of each case to emerge before investigators push to generalize patterns across cases" (Eisenhardt, 1989, p. 540). In line with this proposition, each case will be analyzed in detail before cases are compared and propositions are derived (chapter 5). The analysis of each case is split into a *case description* (summarizing key facts on the venture) and the actual *within-case analysis*, which allows the reader to distinguish between descriptive facts and interpretations by the author of this dissertation.

The specific focus of the subsequent analysis is set on (i) PES and (ii) the resultant complexity; (iii) on specific capabilities to handle the emergent complexity; on (iv) entrepreneurial teams' prior startup internationalization experience and (v) complexity aversion which were found to influence the capability formation; on the resultant (vi) performance outcomes and (vii) the feedback effect on startup's subsequent internationalization (i.e. its future PES) as well as the complexity resultant from these additional market entries. While in the actual within-case analysis, a broad range of variables and topics was analyzed, these factors emerged from the iterative analysis (cf. chapter 3.8) as central building blocks of the theoretical model. The focus on these variables counteracts criticisms regarding the lengthiness and limited readability of case studies and eases following the path from data to theory (cf. chapter 3.8.3). To further enhance the transparency for the reader, the chapter starts with a definition and operationalization of all variables covered in the subsequent analysis (chapter 4.1) before each case is described and analyzed (chapters 4.2 – 4.10). For the case descriptions, fictitious venture and team member names as well as ranges regarding descriptive values and KPIs had to be used in order to comply with confidentiality commitments (as explained in chapter 3.4.4).

4.1 Definitions and operationalization of variables

In this chapter, the main variables discussed in the subsequent within-case and cross-case analyses and ultimately included in the theoretical model will be defined and operationalized. Since the model is mostly built on the firm level, assessments for several variables were, however, made on an individual level (i.e. based on interview statements and / or individual surveys), and the rationale for the aggregation of ratings will also be provided.

4.1.1 Post-entry speed

Post-entry speed (PES) emerged from the data as independent variable, driving the complexity, capability formation and ultimately firm performance. PES is concerned with the speed of the *subsequent* international growth once the first foreign market entry has occurred (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2012; Prashantham & Young, 2011) and can be defined as "*the pace of international expansion of a new venture once it has become an INV"* (Prashantham & Young, 2011, p. 277). As discussed in chapter 2.2.2.1, scholars highly differ with respect to the specific indicators and measures used for PES (Casillas & Acedo, 2013; Prashantham & Young, 2011), but mostly apply a quotient based on the change of an expansion related variable (such as the number of countries entered or foreign entities established) over time after the initial foreign market entry occurred. Since INVs often don't own foreign assets but rather rely on less resource-intense entry-modes such as exporting (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994), PES will be conceptualized as *increase in the number of foreign countries entered over time* and will be measured as *the number of countries actively entered divided by the time since the initial internationalization*, that is the first market entry.

4.1.2 Complexity

The second variable that emerged from the data is *complexity*. According to Simon (1996), systems can be described as complex when they are "made up of a large number of parts that have many interactions" (pp. 183–184). When linked to the organizational environment, complexity relates to the amount of external factors that have to be handled at the same time (Scott, 2003). Three specific fields of complexity proved to be of particular relevance for the cases analyzed: (i) *Internationalization process related complexity*, in particular related to the market selection as well as the market entry process; (ii) *organization related complexity*, linked to required adaptations in the organizational structure and internal processes and (iii) *partnering related complexity*, resultant from the partner selection process as well as the management of existent partners.

A perceptual measure of complexity was used since prior research showed that perceptions are more influential to decision making and behavior than objective characteristics (cf. Das & Teng, 2001). Since complexity was assessed on the individual level, scores were moreover aggregated to the firm level based on the average rating across all interviewees. In the case of strong deviations, more weight was placed on the judgments of 'experts' on the specific subject (i.e. the person responsible for the specific field; for example Business Development

Manager or equivalent with respect to input on the internationalization process related complexity).

4.1.3 Internationalization related capabilities

As the analysis revealed, firms responded to the internationalization induced complexity by forming two sets of internally oriented capabilities – *internationalization process capabilities* and *organizational adaptation capabilities* – and two sets of externally oriented capabilities – *capabilities to leverage external supporters* and *capabilities to leverage foreign distributors*.

Firstly, *internationalization process capabilities* refer to the skills firms need in order to successfully enter a foreign market. While there is no exact definition of this capability, George et al. (2004) suggest that *international market entry capabilities,* described as a set of capabilities that facilitate the foreign market entry (i.e. the process from planning the entry until the generation of first sales) are of major relevance in this context. This set of capabilities according to the authors encompasses *entry organizing capabilities*, described as routines related to selecting an entry mode and to coordinating the entry related activities and "operational structures to maximize speed and efficiency of market entry process" (p. B3)) and *market intelligence capabilities*, described as activities related to searching for market data and processing this information. As the case data in this dissertation revealed, this capability set however not only encompasses information gathering, decisions and processes related to the actual *entry* but also includes the underlying *selection* of the market to be entered. Thus, internationalization process capabilities are defined here as *active and systematic approach towards the market selection as well as the entry process.*

The capability set thus incorporates the skills required for both the market selection and the entry process. *Market selection* here refers to the systematic analysis and selection of target markets and thus strongly builds on the market intelligence capability suggested by George et al. (2005), while, in line with Autio et al. (2011), the *entry process* is described as "the sets of activities related to entering a new market, establishing a business infrastructure, and devising and initiating transactions to buy, sell, or manufacture a product or service in a foreign market" (p. 14).

Secondly, *organizational adaptation capabilities* are concerned with adjustments in the firm structure and processes as a response to the internationalization induced complexity. Fletcher et al. (2013) conceptualized the knowledge underlying this capability set as *international enterprise internationalization knowledge*, that is knowledge that "enables firms to manage the internal organization of their enterprises effectively across multiple international territories" (p. 50). Building on this conceptualization and the case study findings, organizational adaptation capabilities are defined as *the abilities to dynamically adjust the organizational structure and processes to function competitively in the international setting.*

The two underlying indicators are *adaptations in the organizational structure* and *adaptations of organizational processes*. *Adaptations in the organizational structures* refer to adjustments of "the arrangement of workflow, communication, and authority relationships within an organization" (Covin & Slevin, 1991, p. 17) and were manifested in the data for example in adjustments of the overall structure (such as the creation of a 'matrix-organization'), the formation of departments or the change of roles and responsibilities, and the hiring of key employees. *Adaptations of organizational processes* refer to changes in both internal processes such as knowledge management and communication processes and external processes such as logistics.

Thirdly, one set of externally oriented capabilities that emerged from the data refers to *capabilities to leverage external supporters*. Building on Kuivalainen et al.'s (2010) definition of financial capabilities as "combination of investment expertise, connections to investors and financial control system" (p. 148) and their conceptualization of the underlying capability to persuade investors as the abilities to handle the financial investments efficiently and to maintain and expand the network with extant and potential investors (Kuivalainen et al., 2010), capabilities to leverage external supporters are defined as *the abilities to attract and use financial and non-financial resources provided by VCs and other supporters*.

The indicator that emerged from the data is the *involvement and value-added* ventures are able to achieve. The involvement was found to include measures such as a frequent interaction and a proactive inclusion in key decisions and even operative activities (e.g. meetings with potential customers). The value-added includes both the financial (monetary) and non-financial support received. The latter encompasses the external factors of legitimation and outreach these supporters can provide as well as the internal factors of support with respect to recruiting and mandating, strategizing and operation, and the mentoring and consulting provided (Large & Muegge, 2008). Finally, the most relevant external supporters that emerged from the data were VCs, defined as "financiers specializing in providing entrepreneurs with the capitals and value-added activities to founding and developing new ventures" (Chen, 2009, p. 95), incubators, that is "innovative system designed to provide technology and management supports to assist entrepreneurs in the development of new ventures" (Chen, 2009, p. 95)[28] and business angels, described as "individuals who offer risk capital to unlisted firms in which they have no family-related connection" (Politis, 2008, p. 127).

Fourthly, *capabilities to leverage foreign distributors* are a second set of externally oriented capabilities that emerged from the data. Knight and Cavusgil (2004) identified these capabilities to be of key importance for INVs and their international performance and defined them as "the tendency of born globals to rely on foreign independent distributors and those distributors' specific competences to maximize performance outcomes associated with downstream business activities abroad" (p. 132). The authors suggested that these skills enable ventures to involve distributors in local downstream marketing activities such as promotion and customer relation management. Khalid and Larimo (2012) pointed out that leveraging any type of alliance partner (including foreign distributors) furthermore requires more active components such as venture's commitment to building a strong relationship with its partner as well as the capacity to identify and acquire, process and apply valuable knowledge (such as market feedback) from the partner. Building on these conceptualizations and the case study findings, capabilities to leverage foreign distributors are defined here as *the abilities to attract and use direct support (distribution) and indirect support (e.g. marketing and local market knowledge driven innovation support) from local distribution partners.*

The two indicators that emerged from the data were the *systematic selection* and the *intense involvement and maximized value-added* of the partners. The latter indicator thus reflects the relationship management component mentioned above (Khalid & Larimo, 2012), which for example encompasses "the degree of importer involvement, communication quality of the relationship, long-term relationship orientation, and information sharing" (Lages et al., 2009, p. 51).

For all four internationalization related capabilities, the aggregation of individual level ratings was done as described for complexity, that is based on the average score across the team while taking into account expert judgment (see above).

[28] Chen (2009) builds on and expands the VC-definition of Von Burg and Kenney (2000) and the incubator-definitions of Smilor (1987) and Sherman (1999).

4.1.4 Entrepreneurial teams' prior startup internationalization experience

There is a wide body of literature discussing the importance of international experience as an antecedent of early internationalization or a contingent factor of international performance (Oviatt & McDougall, 2005; Reuber & Fischer, 1997; Sapienza et al., 2006; Weerawardena et al., 2007; Zucchella et al., 2007). The main indicators discussed in this context are related to prior work experience abroad or prior experience in conducting international business (Nummela et al., 2004; Reuber & Fischer, 1997; Sapienza et al., 2006; Zucchella et al., 2007). As the case study data revealed, *entrepreneurial teams' prior startup internationalization experience* was a particularly important type of experience in this context. Since this specific type of experience so far was not discussed in extant research, it is defined here as *the experience the entrepreneurial team gained with the internationalization of startups prior to founding or joining the current venture*. If one or more team member (i.e. a founder or key employee) possessed this specific type of prior experience, the venture was rated 'high'; otherwise it was rated 'low'.

4.1.5 Entrepreneurial teams' complexity aversion

Extant literature already explored the role of several cognitive entrepreneurial attributes in the context of early internationalization. For example, risk perception (Acedo & Jones, 2007; Jones & Coviello, 2005; Kuivalainen et al., 2007; Weerawardena et al., 2007), tolerance for ambiguity (Acedo & Jones, 2007), managerial attitudes (Preece, Miles, & Baetz, 1999) and willingness to cope with situational uncertainty (Autio et al., 2011; McMullen & Shepherd, 2006) are already discussed in the context of venture internationalization. However, to the best knowledge, complexity aversion has not been conceptualized or defined yet. In the absence of an extant definition, entrepreneurial teams' complexity aversion is thus defined as *the degree to which the entrepreneurial team evaluates complexity negatively and shows reluctance, avoidance and inertial reactions.* As the data revealed, the degree of aversion determined the reaction to the complexity faced and consequently the intensity of capability formation. The specific patterns that emerged are either a low complexity aversion, which results in an interpretation of complexity as a motivating force for proactive reactions or a high complexity aversion, that is an interpretation of complexity as a demotivating hurdle. Individual level ratings were aggregated to the entrepreneurial team level based on the average score.

4.1.6 Venture (international) performance

While extant literature uses a wide range of performance measures, several scholars suggested that international sales growth is one of the most appropriate and commonly used measures for early and rapidly internationalizing ventures (Verdier et al., 2010; Zhou, 2007). In line with these suggestions and with other studies in this context (Autio et al., 2000; Cavusgil & Zou, 1994; Lu, Zhou, Bruton, & Li, 2010; Verdier et al., 2010; Zhou, 2007; Zhou et al., 2010), this research uses *international sales growth* as performance indicator and calculates it as the *change in the share of international sales over time* (since the first international market entry).

4.2 The case of F1

Case description

F1 was founded in 2011 by Adam (CEO) and Andrew (CTO). It is an e-commerce startup, dedicated to selling fashion items via its own web shop. Interviews were conducted with both founders as well as with two key employees – Arthur, who joined the team in late 2011 as International Development Manager, and Anton, who was hired in 2012 as Country Manager.[29] The company started its internationalization in 2012 and, at the time of the interviews, was active in 11 to 15 countries across four regions and generated more than 60 percent of its sales abroad. All facts are summarized in Figure 8.

Key facts	• Foundation:	2011
	• Employees:	51 – 100 (2012)
Industry & business model	• Industry:	E-Commerce
	• Business model:	Direct sales of fashion items via own online shop
Team	• Founders:	Adam (CEO) Andrew (CTO)
	• Key employee(s) interviewed:	Arthur (International Development Manager) Anton (Country Manager)
International footprint	• First international entry:	2012
	• Number of countries:	11 – 15
	• Regions:	Americas, Asia, Australia, Europe
	• International sales (%):	> 60 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 8: Case description - venture F1
Source: Own illustration

[29] Due to his more operational role and the focus on specific countries, Anton is only involved in strategic decisions to a very limited degree. Consequently, he could not comment on all areas of interest in this dissertation.

Within-case analysis

F1 internationalized at a very fast rate. After its first international market entry in 2012, the venture expand at an average *PES* of around 15 countries per year.

Both founders and employees emphasized the very high level of *complexity* resultant from the (fast) internationalization; particularly the internationalization process and organization related complexity (cf. Table 4). The *internationalization process related complexity* was underlined by all interviewees. For example, struggles with several languages (Adam and Andrew), with "customer service, customs, etc." (Adam, l. 226), with regulations (Anton) and with distance related issues (Arthur) were mentioned. The high level of *organization related complexity* was for example revealed by Andrew, who stated that organizational process issues and IT related issues caused by the fast expansion were a major threat for the company: "IT was the biggest threat for us. We feared most that we would not be able to handle the internationalization, and that our web page constantly crashes" (l. 801-802). In addition, Adam mentioned that the internationalization increased the complexity of managing the company and created issues in the internal communication and Arthur stated that the expansion caused challenges in the logistics processes.

F1 seemed to respond to the high emergent complexity by intensely forming a set of specific capabilities. Firstly, the venture formed very strong *internationalization process capabilities*. Andrew revealed that markets were selected relatively systematic from the beginning based on criteria like "market volume" (l. 172), language barriers and prior e-commerce experience regarding these markets. As both Adam and Andrew mentioned, the team then decided to speed up the expansion and to actively test markets in order to "get real life data" (Andrew, l. 491-492). However, they learned that this approach increased complexity and according to Adam caused several exits. As a consequence, the venture decided to intensify the upfront research again and to "define yes / no criteria earlier and more radical" (Adam, l. 1156). F1 also developed a highly systematic market entry process. Adam, Arthur and Anton all revealed that the first market entries were "still very chaotic" (Arthur, l. 364) but that the venture then systematized and structured the entry process more and more. As Adam stated, the venture developed "a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] We had a grip on IT and on all processes that had to happen on the business side" (Adam, l. 289-304). Anton confirmed this improvement, stating that he initially did not receive much support apart from

IT but that “that process changed” (l. 231) and that he finally even got a “weekly plan from my manager about things that needed to be done that week” (l. 229). In addition, the venture according to Adam decided on a preferred entry mode – a centralized approach with country teams based in the headquarters – which as he added was the ideal approach since it eases internal learning and knowledge transfer.

Secondly, the venture revealed strong *organizational adaptation capabilities* from the beginning and further improved this skill throughout the international expansion. Before starting the internationalization, the venture hired Arthur as International Development Manager and put him in charge of the international expansion (Adam). In addition, Arthur started hiring locals from new target markets before entering these to become more familiar with local “market particularities” (Arthur, l. 353). But Arthur also admitted that they “did not know how to ((stumbles)) set up the organization” (l. 343-344) and whether to have “local teams” (l. 345). As Adam stated, the extremely high internationalization driven complexity and the resultant managerial struggles however “forced [us] to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier” (l. 845-846). Consequently, the venture according to Arthur changed responsibilities to achieve a better knowledge-transfer, according to Adam hired more senior country managers and, as Andrew added, was even considering building a “matrix organization” (l. 248). Finally, the internationalization related complexity triggered considerable process improvements. As Adam underlined, “the internationalization was the early trigger why we have to do some things more professionally now” (l. 904-905) and a major driver behind the “standardization and professionalization process” (l. 956-957).

Third, F1 formed very strong *capabilities to leverage its external supporters*. The team was supported by several VCs and an incubator. According to Arthur, seed-financing already included budgets for several international markets and was followed by a second round, raised for the aggressive international expansion. In addition to the financial support, F1 managed to attract a wide range of non-financial supporters, particularly from the incubator. As Adam stated, the incubator helped handling the internationalization related complexity and challenges, assisting “exactly on the biggest pain points” (l. 632). Andrew added that the investors advised during market selection and Arthur mentioned that “based on the experience from the global rollouts which they have done pretty successful and since quite some time, [they] told us exactly how to do it” (l. 431-433). The interviewees also mentioned a wide range of more specific support which eased dealing with the fast expansion and the resultant challenges. Andrew stated that the incubator helped deciding on the degree of localization and on the portfolio for certain countries. Adam added that the incubator eased the entries by providing local office space, “temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever” (l. 620-621) and by supporting the team with recruiting local employees, and Arthur stated the network provided “was extremely important since we for example got our first payment operator from it” (l. 519-520). Press research confirmed the high leverage F1 could achieve from its external supporters. One article stated that the venture could close another major financing round, targeted to support the further international expansion (web_06). Two additional articles both underlined that F1’s investors were very experienced in supporting young firms in the international expansion and that they actively involve themselves to foster international growth (web_09-web_10).

Since F1 distributes its products exclusively online on its own webpage, no foreign distributors are used.

The analysis furthermore revealed that two entrepreneurial team level factors had an impact on the intense capability formation and on the high overall capability level of the venture: *Prior startup internationalization experience* and *complexity aversion*.

Firstly, the *prior startup internationalization experience* of F1’s entrepreneurial team was very high, which was found to have a strongly positive impact on the initial capability level (when starting the internationalization). Founder Andrew and International Development Manager Arthur both had prior experience with the internationalization of startups. Andrew was CEO of a fast-internationalizing, incubator-supported team; Arthur was responsible for the international rollout of another startup. As the interview data showed, this vast experience resulted in a higher initial capability level and particularly in higher initial internationalization process capabilities. Andrew for example mentioned contacts to one investor resulted “from my time at the large, highly international startup A” (l. 91-92) where he was CEO before and Adam added that the “minimal approach” (l. 247) entry strategy (i.e. the internationalization strategy of having both functional teams and country teams centralized in the headquarters) was done as Andrew had implemented it at his former company. In the same vein, Arthur stated that his prior learnings impacted the internationalization process: “I learned that when I was an entrepreneur myself. First simply enter the market and get your product set. Then you can adapt and model along the way. That’s how we did it as well” (l. 369-371). Finally, Adam underlined the importance of the prior experience of his colleagues, stating that the trial and error internationalization approach was a transferred learning and that in particular Arthur’s experience was very valuable: “Arthur has the expertise and you can teach them [the country managers] everything relatively fast. Really everything, customer service, marketing, etc.” (l. 371-374).

Secondly, all interviewees of F1 revealed a very low *complexity aversion*, which seemed to impact the capability formation intensity. For example, Adam perceived the fast internationalization and the resultant complexity to be an “accelerant” (l. 947) for a “necessary improvement process” (l. 954-955) and an increased “professionalization process” (l. 957) and he underlined that “being discouraged by the first insight that something gets tricky or complex” (l. 753-754) would be a major mistake and that “[a]t the end there is a solution for everything” (l. 754); Andrew pointed out that they pushed the fast internationalization “despite the resistance of some people within the firm” (l. 495-496); Arthur advocated for a pragmatic, learning-oriented working style, stating that “[f]irst simply enter the market and get your product set. Then you can adapt and model along the way” (l. 370-371); and Anton proclaimed that “especially in an unknown situation; you just have to move” (l. 337-338).

With respect to the *venture performance*, F1 was able to profit very intensively from the internationalization despite the high complexity faced. The venture for example achieved an international sales growth rate of around 60 percent per year. In addition, a press article revealed that F1 became one of the leading international players in the industry (web_24). As both Arthur and Adam underlined in their interviews, the strong capabilities developed were of high importance for achieving this strong performance. According to Arthur, F1’s systematized internationalization process considerably increased the efficiency: “The first time we went live with F1 was still very chaotic, which is totally normal I assume. Then we structured and listed it and for the other countries it was already much easier” (l. 336-339). The importance of the organizational adaptation capabilities was revealed by Adam, who emphasized the value-added of hiring Arthur as internationalization manager, whose job was “bringing the countries into the next level” (Arthur, l. 675) and thus to improve the international performance. Adam also pointed towards process improvements and thus efficiency gains when mentioning that the fast international expansion triggered an “improvement process” (l. 955) and an earlier “standardization and professionalization process” (l. 956-957) as well as an increased “output orientation” (l. 1154). Finally, the importance of external supporters for the performance outcomes was revealed by Adam. He stated that the investors pushed the venture towards fast growth and that they increased the efficiency and performance by connecting the venture, by sharing knowledge and by providing resources such as “temporary project managers, temporary marketing guy, temporary IT guy” (l. 620). Press articles further substantiated the importance of specific capabilities for capturing performance benefits. One article stated that the strong financial support provided by the external supporters will enable the venture to continue its “large-scale international growth-offensive” (web_29). A second article quoted an investor who described his rich experience in fostering the international growth of the invested ventures (web_30).

Finally, the interviewees revealed that the capabilities formed had a very strong *feedback effect* on F1’s subsequent PES rate and the complexity resultant from additional entries. Adam for example underlined that the increasing systematization of the market entry and the aforementioned “checklist” (l. 289) particularly eased subsequent entries: “[F]rom the tenth country onwards, it was very easy or at least well-planned. […] the last five countries were exactly like that, no heart was beating faster when we launched a country. We had a grip on IT and on all processes that had to happen on the business side” (l. 292-304). Organizational adaptations also fostered the subsequent PES. For example, the hiring of Arthur, who was put in charge of “com[ing] up with a strategy in which markets and when and how we are planning a rollout” (Arthur, l. 321-322) was an important factor. Andrew and Arthur furthermore emphasized the impact of the capabilities to leverage external supporters on the future PES. Andrew stated that the investors, which “have internationalized extremely often before […] have pushed us very intensely to enter many countries very fast” (l. 521-523) and that the incubator was particularly pushy regarding the expansion: “The incubator was more like: “Why aren’t you present in 15 countries yet?”” (l. 561-562). In the same vein, Arthur referred to a certain pressure for the fast expansion based on the need to reach given milestones: “We have to be fast. We now have a certain funding at our disposal and we have to reach our milestones” (l. 367-369). A press article on F1s continued expansion further supports the positive feedback effect, stating that the venture already entered three additional countries after the interviews (web_43).

To conclude, F1 internationalized at a very high PES rate and revealed a high resultant level of internationalization related complexity. The venture seemed to respond to this complexity with an intense capability formation. Specifically, high internationalization process capabilities, high organizational adaptation capabilities and high capabilities to leverage external supporters were observable. The analysis furthermore revealed that the strong capability formation was fostered (among others) by the high prior startup internationalization experience and the very low complexity aversion of the entrepreneurial team. This high capability level also seemed to enable F1 to benefit from the internationalization despite the level of complexity faced. The venture achieved a strong performance and a particularly high international sales growth. Finally, the increasingly strong capabilities helped F1 in new market entries and thus had a very positive feedback effect on the subsequent PES and the resultant complexity.

Variable	Adam (CEO)	Andrew (CTO)	Arthur (International Development Manager)	Anton (Country Manager)
Complexity <u>Rating: H</u> *Adam: H* *Andrew: H* *Arthur: H* *Anton: MH*	For all strategic questions, you have to think of multiple levels [due to the internationalization] […]. You have another field that you have to manage. The very first day when you start to internationalize, you realize how complex it all gets: Multiple languages, customer service, customs, etc. […] in total, it became considerably more complex than we thought. […] through this, a stronger separation between the international business and the main business occurred, which I want to reduce in this third step so that people start talking to each other again.	It is clearly more complex if you have to include several languages. We initially underestimated this. We thought it is not so difficult to internationalize it. But, we now realize that it causes problems. Well, I think IT was the biggest threat for us. We feared most that we would not be able to handle the internationalization, and that our web page constantly crashes or becomes super slow. There were some weeks, when we were scared of it.	I would spontaneously say size and distance [determine the entry mode]. You can handle Europe very well from here. So it depends on whether you can fulfill the same conditions as a local player. And if I am able to steer my logistics from here and am having the same supply channels, then it works. But when you are in American country A and Asian country A, i.e. outside of Europe, it becomes considerably more complex.	*Interviewer: Were there any factors from your perspective that would have been against internationalization?* Anton: (...) Well, in terms of regulation, maybe. I mean, there is some hindrance; we see that in Norway, [...] and I think there are still some hindrances because the government wants to protect their own companies, their home.
Internationali-zation process capabilities <u>Rating: H (MH)</u> *Adam: H (MH)* *Andrew: MH (MH)* *Arthur: H (ML)* *Anton: MH (ML)*	Since our costs of entry were so low, the best method was entering and finding out rather than planning and asking questions. I would maybe define yes / no criteria earlier and more radical – and more transparent for everybody: "This is a test country, welcome on board. We will talk in five months whether you have reached what other countries have achieved. And if you haven't reached this, we will shut down this country." […] probably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] We had a grip on IT and on all processes that had to happen on the business side. Yes it [the entry mode] is still ‚minimal approach', the best thing we have ever done. […] you are simply learning everything from here – even the large, highly international startup A is still selling out of Germany to Central European country A, etc.	Well, in January, we started with, ehm, Northern European country A and B (...) and central European Country A. The reason was that these were the largest product markets from a market volume perspective. We knew about Northern European country B that e-commerce actually always works well there… […] before, we entered Switzerland and Austria, which was obvious due to the language. Due to the success in Northern European country B, we said: "we have to enter as many countries as possible and just check which ones work and which ones don't – since we cannot analyze excel based which countries are good and which ones aren't. It was a conscious decision to say: "No, let's try to get real life data" – that's how we called it. Well, the American country A was a mistake due to the fierce competition. Eastern European country A was difficult due to the language and the payment methods, which we actually could have found out upfront.	The first time we went live with F1 was still very chaotic, which is totally normal I assume. Then we structured and listed it and for the other countries it was already much easier. In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like.	[K]: There was a brief setup of things that we needed to go through. I remember we had a weekly plan from my manager about things that needed to be done that week. Because when I started, basically with the support from IT, I set up the whole page from scratch, e.g., building the content and the templates that IT set up. That process changed, though […].
Organizational adaptation capabilities <u>Rating: H (MH)</u> *Adam: H (MH)* *Andrew: H (-)* *Arthur: H (MH)* *Anton: -(-)*	Well, as I said, we have hired a guy, Arthur, who did this [the internationalization] as a project. This was good, this was very good. But I think due to the brutal management effort, we were forced to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier. Otherwise, the attention would have suffered too much. *I am now in charge of American country A, Asian country A and Europe as well as Marketing so that*	We are now thinking: Wouldn't it make sense to locate the Dutch customer service in the customer service department as opposed to in the international team? Just as in a matrix organization, you would take it out and place it in another department.	In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like. We got the people that are now working in Munich from the countries directly. This was so to say the preparation. So I prepared the team with respect to our requirements for the markets. They know the market particularities and have implemented it accordingly. Initially, we did not know how to ((stumbles)) set up	

	everything we sell can benefit from shared experiences. It was like that: First we try implementing it, and then we think about how to improve it. *There [for American country A and Asian country A], I am the direct intermediary, since the country managers in American country A and Asian country A are much more experienced than the ones in Northern European country B and Central European country A.* *Exactly, the internationalization was the early trigger why we have to do some things more professionally now – and consequently things have changed.* […] we abruptly raised the complexity and this triggered a necessary improvement process. […] an earlier, ehm ((looking for words)) standardization and professionalization process.		the organization. Do we still want to have local teams after half a year since we are convinced the market works well? […] By now we are having a clear structure and our organization has changed in the sense that I am now working more with American country A and Asian country A in order to generate this knowledge transfer, to foster the exchange.	
Capabilities to leverage external supporters Rating: H (H) *Adam: H (H)* *Andrew: H (H)* *Arthur: H (H)* *Anton: -*	[…] it is the experience from our incubator, that these [country A and B] are good markets. The head of the incubator finds potential candidates; we talk to them and say "cool, we want to have them". The candidate then founds and at the beginning gets the full support from the incubator – temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever. […] And the guy from the incubator helps him find an office, employees, etc. This works great. […]. So the incubator helps exactly on the biggest pain points.	It [the market selection] was partially driven by the investors who said: "You should approach this" or "why don't you look at this? It worked very well for other companies". So I would say, fifty percent for the investors, fifty percent for us. Well, our investor actually also gave us the instruction: "Initially, take all products live everywhere since [country] differences are not as big." [Fostering the internationalization] definitely were the investors we got in December since they have internationalized extremely often before and have pushed us very intensely to enter many countries very fast.	Yes, initially we just had a seed round. Through this, we could have handled Northern European country A, Central European country A, Northern European country B and Germany. Then we had the next round and the incubator also saw the potential and, based on the experience from the global rollouts which they have done pretty successful and since quite some time, told us exactly how to do it. Thus we had the best strategic partner, who was not involved on an operational level too much [...]. [Fostering was] the network we got though our incubator. This was extremely important since we for example got our first payment operator from it and could thus roll out a lot of things.	
Capabilities to leverage foreign distributors	*- (No distributors used)*			
Prior startup internationali-zation experience(1)	Arthur has the expertise and you can teach them [the country managers] everything relatively fast. Really everything, customer service, marketing, etc. *Interviewer: Which entry mode did you select for your markets?* Adam: Yes it is still 'minimal approach', the best thing we have ever done. […] even the large, highly international startup A is still selling out of Germany to Central European country A, etc.	I knew them [the investors] from my time at the large, highly international startup A.	[…] I learned that when I was an entrepreneur myself. First simply enter the market and get your product set. Then you can adapt and model along the way. That's how we did it as well.	
Complexity aversion Rating: L *Adam: L* *Andrew: L* *Arthur: L*	It's like an accelerant. […] we abruptly raised the complexity and this triggered a necessary improvement process. You can probably phrase it like that, not a surprising but an earlier, ehm ((looking for words)) standardization and professionalization process.	Well, we then really pushed it [[the fast internationalization] and despite the resistance of some people within the firm we said: "No, we just have to do it".	First simply enter the market and get your product set. Then you can adapt and model along the way.	I mean you can always set up more structured plans, but I do not really think it works that well in a startup company, especially in an unknown situation; you just have to move.

Anton: L	So the stumbling block was really being discouraged by the first insight that something gets tricky or complex. At the end there is a solution for everything. Startup-management is always like that: Driving fast and then checking what breaks down first.			
Venture (intl.) performance(2)	[…] we abruptly raised the complexity and this triggered a necessary improvement process. You can probably phrase it like that, not a surprising but an earlier, ehm ((looking for words)) standardization and professionalization process. But I think due to the brutal management effort, we were forced to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier. The head of the incubator finds potential candidates; we talk them and say "cool, we want to have them". The candidate then founds and at the beginning gets the full support from the incubator – temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever. […] And the guy from the incubator helps him find an office, employees, etc. This works great.		[…] it was trial-and-error for the first launch. Then we took these learnings and restructured everything again. The first time we went live with F1 was still very chaotic, which is totally normal I assume. Then we structured and listed it and for the other countries it was already much easier. Well, my initial role was setting up the team, building that all up, and now it is ((pauses)) bringing the countries into the next level.	
Feedback effect on PES and complexity <u>Rating: HP</u> *Adam: HP* *Andrew: HP* *Arthur: HP* *Anton: -*	[…] probably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] the last five countries were exactly like that, no heart was beating faster when we launched a country. We had a grip on IT and on all processes that had to happen on the business side.	[Fostering for the internationalization] definitely were the investors we got in December since they have internationalized extremely often before and have pushed us very intensely to enter many countries very fast. Venture capitalist A was the first investor and from the beginning was in favor of us entering other markets. But they have not pushed it as actively and were more like "hey, have a look at that. This could actually work well for your product." The incubator was more like: "Why aren't you present in 15 countries yet?"	In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like. […] we said: "We'll first enter just like that since we have to hurry up. We have to be fast. We now have a certain funding at our disposal and we have to reach our milestones." It is all predefined quite strictly.	

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 4: Within-case analysis - venture F1
Source: Own illustration

4.3 The case of F2

Case description

F2 was founded in 2010 by Brad (CEO) and Bill (CTO). It is a meta-platform for shopping, which is aggregating offers by third parties and is providing a wide range of value-added services around these offerings. Interviews were conducted with both founders as well as with Bernd, who joined the team in early 2011 as Consultant International Markets and is thus intensely involved in the international expansion of the venture.[30] The company entered its first international market in 2011 and continuously expanded its international footprint. At the time of the interviews, the venture was active in 11 to 15 countries across four regions and generated more than 60 percent of its sales abroad. All facts are summarized in Figure 9.

Key facts	• Foundation: • Employees:	2010 > 100 (2012)
Industry & business model	• Industry: • Business model:	E-Commerce Meta-platform for shopping in specific area
Team	• Founders: • Key employee(s) interviewed:	Brad (CEO) Bill (CTO) Bernd (Consultant International Markets)
International footprint	• First international entry: • Number of countries: • Regions: • International sales (%):	2011 11 – 15 Americas, Asia, Australia, Europe > 60 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 9: Case description - venture F2
Source: Own illustration

Within-case analysis

F2 proceeded with its international expansion at a very fast rate. After its first international market entry in 2011, the venture expanded at an average *PES* of 12 countries per year.

As all interviewees emphasized, the fast international expansion resulted in a very high level of *complexity*, particularly related to the internationalization process and the organization (cf. Table 5). The *internationalization process related complexity* was emphasized by Brad, stating that the fast expansion caused a “diffusion of the management team” (l. 196) and implied “large capital expenditures” (l. 196-197) as well as challenges related to dealing with

[30] The interview with Bill had to be conducted on the phone since he was not available for a face-to-face interview due to traveling activities.

“different cultures […] [o]ther markets and other consumers” (l. 200-203). CTO Bill added that country particularities such as cultural and language related challenges drove the complexity of each new entry and required adaptations in the entry mode for example for Asian countries, where “we don’t understand the market, we don’t understand the language, there is a killer time difference in between and all that together in one pot doesn’t yield a cool mix, I guess” (l. 310-312). The *organization related complexity* caused by the fast internationalization was revealed by Brad, who stated that “[a]s in any other fast-growing company, processes cannot keep up and a lack of transparency occurs. Even in the communication, putting it bold, one doesn’t know what the other person does. Organizational issues, the question whether everything is compliant, whether we are having the right processes in accounting, etc. Well, we simply approach a speed where you at least perceive to be always one step behind” (l. 145-148).

The data also indicated that F2 responded to the high amount of complexity faced by forming specific capabilities. Firstly, all interviewees underlined the particularly strong formation of *internationalization process capabilities.* As both Brad and Bill mentioned, the market selection initially was “not as profound” (Brad, l. 295) and “not on an as formalized level as we are doing it now” (Bill, l. 403) but that the venture learned from the complexity and failed entries this initial approach caused. As Bill summarized, “by now, we have developed a really good formula for checking whether we consider a market to be interesting or not” (l. 465-466) but that “finding that out really cost us money one or two times” (l. 466-467). The entry process according to Brad initially was also not as structured, but he added that “by now it is very well-developed” (l. 302) which enables the team to “scale very fast, exactly along the planning model” (l. 303-304). Bernd stated that a “business development” (l. 86) team was formed to (among others) ease the learning transfer across countries and Brad mentioned that now even detailed launch plans and a “roadmap” (l. 336) are developed, “workshops” (l. 335), and coachings are offered and telephone conferences in which they “are defining the milestones” (l. 251-252) are conducted “on a regular basis” (l. 251) to support the teams in each entry and to counteract the emergent complexity. In addition, Bill stated that the team became very strategic with respect to the entry mode and started to use different modes depending on their understanding of the specific target market (e.g. local country teams for distant, complex markets). F2’s overall strong level of internationalization process capabilities is also substantiated by a press article, stating that the strong experience the venture gained in the first market entries considerably helped in subsequent entries (web_01).

Secondly, the interviewees underlined F2's very strong *organizational adaptation capabilities*. The venture already started from a high initial capability level, hiring three very experienced entrepreneurs (Brandon became Co-Founder and Co-CEO, Bert Co-CEO International Business and Brian Co-CEO European Business) to ease the international expansion and to better handle the emergent complexity. In addition, they formed a business development team in charge of "new market development" (Bernd, l. 97) and hired "a local team" (Brad, l. 230), led by an experienced country manager for each market. But despite these adaptations, the fast expansion according to Bill still caused "uncertainty" (l. 590) for example with respect to roles and counterparts and even "a bit of chaos regarding the structure" (l. 590-591). As the interviews revealed, the venture, however, responded to the emergent complexity by further improving the organizational adaptation capabilities. As Bill summarized: "[O]ne effect was an initial chaos but then we realized it and counteracted very, very strongly" (l. 613-615). For example, Brad stated his learning was that "defining responsibilities very clearly" (l. 395-396) is a key success factor for startups, and he added that the venture thus continually reworks its footprint. Bill added he learned that a clear company vision is essential for being able to manage various countries: "[O]ne omission of the first two years or one year and a half definitely was that we did not have a clear company vision, no clear objective […]. But due to the whole internationalization […] this became very strong. You cannot manage every market, which means you have to make sure people have the shared vision that they are all working along similar lines" (l. 593-600). Based on this learning, the venture according to Bill created a strong shared vision which considerably strengthened the "feeling of solidarity" (l. 606). Finally, Bernd and Brad revealed that the complexity resultant from the fast expansion triggered organizational process improvements. As Bernd stated, "it is a platitude, but it became more professional. You improve, there are some processes you simply can't do any more in the way you did half a year ago" (l. 731-734). F2's strong organizational adaptation capabilities are also supported by secondary data. Field notes confirm Bill's statement on the creation of a strong vision, documenting that the vision statement is highly present in the whole headquarters (e.g. as in the form of paintings on the walls or statues around the office). In addition, press articles for example confirm the importance of hiring Bert as Co-CEO, who according to the author was "the perfect match" for the internationalization related tasks ahead (web_03), and of hiring Brandon, who as stated was of high importance for further building the team and pushing the international expansion (web_04).

Thirdly, F2 developed very strong *capabilities to leverage its external supporters*– an incubator and several VCs. According to Bill, the venture received strong financial support and the initial supporters helped in attracting new supporters for additional financing rounds (which were always at least partially targeted at financing the international expansion). As all interviewees emphasized, these supporters, and particularly the incubator, also provided a lot of non-financial support which was very important for handling the fast expansion and the resultant complexity. Brad for example stated that the "capital and network" (l. 435) provided were key success drivers for the internationalization, that the investor connected the venture to "local business partners or people that have built up something comparable for another company in this market; where you can then simply grasp their knowledge" (l. 443-445), which was extremely valuable for the international expansion, and that resources provided, such as an "interim CEO" (l. 227) as country head, further eased the expansion. Bill added that the incubator even connected the venture to subsequent investors and Bernd confirmed the overall very active support of the incubator and the very intense interaction with the management team. Press research further substantiates F2's strong capabilities to leverage its external supporters. One article revealed that the venture was able to close another major financing round, which was mostly targeted to the international expansion (web_07). In a second article, a board member is quoted stating that "having the right investors" was extremely important for F2's rapid expansion (web_11) and in a third article, the expertise of one investor in facilitating the internationalization is underlined (web_12).

Since F2 is a pure e-commerce venture and only generates sales via its own local webpages, no foreign distributors are used.

According to the interview data, F2's overall very strong capability level was impacted by the *prior startup internationalization experience* as well as the *complexity aversion* of the entrepreneurial team.

Firstly, the *prior startup internationalization experience* of F2's entrepreneurial team was very high, which was found to have a clearly positive impact on the venture's initial capability level. Bill (CTO) founded another startup and entered several countries around the globe. In addition, the three senior managers hired before the first market entry all had considerable experience. Bert (Co-CEO International Business) was founder and CEO of an e-commerce startup which expanded into multiple European markets, Brandon (Co-Founder and Co-CEO) and Brian (Co-CEO European Business) both were founders and Co-Founders, investors and board members of several international startups. The importance of these experiences for F2's specific capabilities and for the successful internationalization was emphasized by all interviewees. Bill stated that the prior experience and the resultant understanding of specific markets had a major impact on the market entry mode and on the overall entry process, and that based on prior learnings the entry process even became "according to the book" (l. 425) to some degree. Underlining the importance of Brian's prior experience for the international expansion, Bill added that "Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit"" (l. 241-243). In addition, Brad emphasized the importance of the team's prior experience for the internationalization and the organizational adaptations when stating: "[W]hat really distinguishes us is our speed. We are simply extremely fast in scaling, which is due to the fact that our team is very experienced. We have several Management Senior Entrepreneurs […] which of course enables us to make decisions – also courageous decisions" (l. 132-137). In the same vein, Bernd stated that due to the enormous prior experience of the team, "the core competences required to build this business are all present" (l. 207-208) and that for example Bert "already built up this business three to four times in other countries" (l. 210-211). Several press articles further substantiate the importance of the prior experience – particularly of Brandon and Bert – for venture's international expansion (web_36 – web_38). In addition, the webpage of the venture prominently features the prior experience of the TMT and its value-added for the venture (web_39).

Secondly, all interviewees revealed a positive or very low *complexity aversion*, which seemed to strengthen the capability formation process. For example, Bernd stated that being discouraged by complexity would be a mistake and that the venture just has to react proactively to internationalization related challenges: "We have to react to the requirements we get, being requirements from the competition, from the customers or the authorities or whatever, we simply have to react" (l. 743-745). Further emphasizing the low aversion he continued that "for me there can't be any excuses like "well, since it is like that, we can't do it". Of course we can, it's simply a matter of 'how'" (l. 745-747).

With respect to *venture performance*, F2 was able to profit very intensively from the internationalization despite the high complexity they faced. The venture for example had an international sales growth rate of around 70 percent per year and, as two press articles revealed, achieved an estimated sales figure in a seven to eight digit range (web_23) and even became one of the leading international players in the market (web_25). As all interviewees underlined, the specific capabilities were of high importance for being able to benefit from the fast expansion. With respect to internationalization process capabilities, Bill stated that the systematized market selection process enabled the venture to avoid additional failed entries and thus to save costs and improve efficiency. Brad added that the more and more sophisticated entry process allowed the company to "scale very fast, exactly along the planning model" (l. 303-304) and thus eased the growth. With respect to the organizational adaptation capabilities, Bill emphasized that the hiring of Co-CEO Brian pushed the venture to "put the pedal on the metal" (l. 243). In addition, the business team according to Bernd fostered the international expansion by "trying to bring forward the extant countries, the international markets across all functional areas" (l. 86-88). Press research further substantiates the importance of F2's strong capability level for the performance outcomes. Two articles for example underlined the critical role of the leverage of the investors. In the first article, the CEO of another startup supported by the same investor is interviewed and is emphasizing the enormous value-added the investor provides and the resultant major facilitation of the international expansion (web_31). The second article quoted a board member, emphasizing that both the financial and non-financial support the venture received from the investors was crucial for the "fast international expansion" (web_32). In addition, one article underlined the importance of F2's organizational adaptation capabilities. In the article, an investor stated that the hiring of Brandon as Co-CEO fostered the fast and successful expansion since he (Brandon) "has driven the expansion abroad" particularly active (web_35).

Finally, the interviewees revealed that F2 was able to benefit intensely from the *feedback effect* of its increasingly strong capabilities on the subsequent entries and the resultant complexity. For example, the more and more systematic market selection according to Bill eased the identification of attractive new markets, which speeded up the overall internationalization and reduced the resultant complexity. Bernd added that the business development team, formed as part of the organizational adaptations, was put in charge of "new market development" (l. 97), which again contributed to an increasing expansion rate. Finally, Brad stated that the capabilities to leverage external supporters, and specifically the "additional capital and network" (l. 435) gained were *the* essential factors for the fast expansion, and Bill added that the investors actively motivated the team to enter new countries. A press article on F2's aggressive international expansion also supports the high importance of venture's capabilities, stating that "the experiences gained in individual markets […] are expected to ease subsequent market entries considerably" (web_46). Another article revealed that the venture already entered two additional markets after the interviews (web_44).

Summing up, F2 proceeded with its international expansion very fast, which triggered a high level of complexity. However, the venture responded to the complexity by intensely forming specific capabilities (internationalization process capabilities, organizational adaptation capabilities, capabilities to leverage external supporters), which allowed the venture to benefit from the fast expansion and to achieve a strong venture performance impact. These capabilities also eased F2's entries into additional countries and thus fostered a high subsequent PES rate. Finally, the data revealed that both the very high prior startup internationalization experience and the low complexity aversion of the entrepreneurial team contributed significantly to F2's strong capability formation.

Variable	Brad (CEO)	Bill (CTO)	Bernd (Consultant International Markets)
Complexity <u>Rating: H</u> *Brad: H* *Bill: H* *Bernd: H*	Risk [was an argument against the internationalization]. The diffusion of the management team, large capital expenditures […] well, there are many factors and at the end it is always different markets, it is always different cultures, I have now learned that too. You may never enter with, I would say, with a German arrogance, with the perception of having somehow understood the world. Other markets and other consumers work differently, media works completely different […] you should never underestimate this. As in any other fast-growing company, processes cannot keep up and a lack of transparency occurs. Even in the communication, putting it bold, one doesn't know what the other person does. Organizational issues, the question whether everything is compliant, whether we are having the right processes in accounting, etc. Well, we simply approach a speed where you at least perceive to be always one step behind […].	Yes, the different modes depend on the question whether you understand a market. Well, I would say, we are fairly confident that we somehow understand Asian country A but we are not confident that we understand Asian country B. […] these guys are sitting in the market, have their own IT, their own products and basically it is a completely independent thing. Simply because we don't understand the market, we don't understand the language, there is a killer time difference in between and all that together in one pot doesn't yield a cool mix, I guess.	I would say yes (...) it got more complex since you can or have to consider more details in many points. In addition, I mean, the responsibility certainly is a different one now. […] one problem for the internationalization is always whether you have the capacities, these are risk factors. Time. The day only has 24 hours, which I always perceive to be the biggest hurdle. Other than that (...) […] In some countries there is more bureaucracy than in other ones. Language would obviously always be a problem as well. I do speak Spanish and English, but as I said, no Finish no Swedish, no Polish. Consequently, this is a barrier […].
Internationali-zation process capabilities <u>Rating: H (MH)</u> *Brad: H (MH)* *Bill: H (MH)* *Bernd: H (MH)*	[…] initially, this was definitely, I wouldn't say unstructured, but not as profound. In the meantime, we are in fact looking very detailed into the specific metrics […] by now it is very well-developed and I belief based on this we can scale very fast, exactly along the planning model. There are obviously many workshops where we say: "let's now discuss the roadmap together, which are the milestones for the first eight weeks, when should the go life occur, what is the feature complete from our perspective, etc. […] then it actually is a coaching, where my team or I myself go in. So I am in the market, I am having calls with them on a regular basis; we are defining the milestones so to say. We are anyhow working very plan-oriented […] and like that we are moving from month or week to week along the business plans.	[…] when Eastern European country A, Asian country A and American country A were started, there obviously also was some research, etc. But I would say not on an as formalized level as we are doing it now. I mean, now it's really like this, we have a really formalized process, we walk through stages and sanity checks, where we re-check the data and verify whether we are still on track […]. Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying. Yes, the different modes depend on the question whether you understand a market. Well, I would say, we are fairly confident that we somehow understand Asian country A but we are not confident that we understand Asian country B. […] these guys are sitting in the market, have their own IT, their own products and basically it is a completely independent thing. Simply because we don't understand the market, we don't understand the language, there is a killer time difference in between and all that together in one pot doesn't yield a cool mix, I guess.	It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. […] and then there is also some kind of a consultant role, whereby we are also actively intervening. So if we really (...) want to do something or want to roll out something, where we might know this worked well in country A, we obviously want to test it in country B as well.
Organizational adaptation capabilities <u>Rating: H (MH)</u> *Brad: H (MH)* *Bill: H (MH)* *Bernd: H (MH)*	If we do greenfield, we are staffing the team; the team usually consists of a venture partner, who is some kind of an interim CEO. This venture partner mostly comes from the holding and already has experience in the business. So he knows how we do sales, how we… he knows what is important to us (...) and then we are sourcing a local team, this is really important […]. An important success factors for a company, or actually for all startups is defining responsibilities very clearly. So everybody has to know, what his responsibilities and his targets are – and this also has to be known in the group, which means full transparency is absolutely essential for me. The organization as such, i.e. who is responsible for what, has obviously changed. This changes permanently, so if you took a blue print from the organization chart, it would be valid for exactly three weeks since	When Brian joined the team as CEO, this might have changed a bit since it is fair to say that Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit […]". […] one result, one effect was an initial chaos but then we realized it and counteracted very, very strongly […]. One of the effects indeed is that people initially do not know what is just happening here, who are my counterparts (...) a bit of uncertainty and a bit of chaos regarding the structure. This was one of the negative consequences I guess… but I believe we figured that out quite well. So I would say one omission of the first two years or one year and a half definitely was that we did not have a clear company vision, no clear objective […]. But due to the whole internationalization, with different	It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. The second thing is that we have some kind of a steering role […] and then there is also some kind of a consultant role, whereby we are also actively intervening. […] And the third thing is a bit of new market development. […] it is a platitude, but it became more professional. You improve, there are some processes you simply can't do any more in the way you did half a year ago.

	simply… an additional market is added, so it is all in a continuous movement. […] first and foremost, we were a smaller team and due to this very aggressive; now we are larger and more international and thus you have to align more and communicate a bit more *which makes us a bit slower I would say.* […] obviously HR substantially changed since we are now having different claims. The requirements for finance, for the back office have totally changed due to external directives. Sales obviously has changed a well, not the sales process per se but the innovation behind sales and marketing so to say […]	companies, etc., this became very strong. You cannot manage every market, which means you have to make sure people have the shared vision that they are all working along similar lines and running in the same direction. One effect of this is that we are now having a very strong feeling of solidarity […] a very strong 'we against the world' feeling.	
Capabilities to leverage external supporters Rating: H (H) *Brad: H (H)* *Bill: H (H)* *Bernd: H (-)*	I believe if I should bring it down to two [fostering factors for the internationalization] it would be capital, additional capital and network. […] this [the preparation] at the end was simply conversations or dialogues within our network, i.e. our personal network, the investor side and the management side. There everybody helps each other quite a lot I guess, as in any community. You just talk to […] companies that are internationalizing as well and then there is a conjoint exchange of experiences. If we do greenfield, we are staffing the team; the team usually consists of a venture partner, who is some kind of an interim CEO. This venture partner mostly comes from the holding and already has experience in the business. So he knows how we do sales, how we… he knows what is important for us (...) and then we are sourcing a local team, this is really important for us […]. External [supporters] for me would in fact only be our board and our investors. And there you primarily get support in the form of networking contacts, i.e. contacts to local business partners or people that have built up something comparable for another company in this market; where you can then simply grasp their knowledge or do things together. .	But with respect to connections they are far ahead (...) and at the beginning, it was also very good for financing. I mean imagine, our seed round was 6-digit without us lifting a single finger. So on the one hand this [the internationalization] was a bit driven by the investors, since our investors […] approached us saying "hey don't you want to do additional countries?" At the end we are pushing the business and are saying where we want to go. If this somehow makes sense to them, they simply nod. But it is still always good to have them, or the board in general as a bullshit filter in some way.	We have the incubator behind us and they are very actively involved I guess, in particular for the management, there is a lot of exchange.
Capabilities to leverage foreign distributors	*- (No distributors used)*		
Prior startup internationali-zation experience(1)	[…] what really distinguishes us is our speed. We are simply extremely fast in scaling, which is due to the fact that our team is very experienced. We have several Management Senior Entrepreneurs […] which of course enables us to make decisions – also courageous decisions.	When Brian joined the team as CEO, this might have changed a bit since it is fair to say that Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit […]". […] there always is some form of a typical, well, a 'according to the book'. I mean, the way you found a new company – you have to check: is there a market, how are the market participants, competitors, what are they doing, etc. – so, basically, market research.	The core competence is that we have a team of entrepreneurs. This starts at the management level and goes down to lower levels, they are all very experienced in their respective field of work. I would simply say that our team is very strong and that consequently the core competences required to build this business are all present. […] For example, with Bert, Co-Founder of F2, we have somebody in our team who already built up this business three to four times in other countries, which means he also has a huge experience in this area.
Complexity aversion Rating: L *Brad: L*	As in any other fast-growing company, processes cannot keep up and a lack of transparency occurs. […] Well, we simply approach a speed where you at least perceive to be always one step behind, but I guess that's totally normal.	[…] one learning definitely is that it doesn't matter what countries tell you regarding "oh, but we are so special, oh" – in fact the particularities are rather limited.	I'd say yes (...) it got more complex […]. But I mean you just have to react to it. We have to react to the requirements we get, being requirements from the competition, from the customers or the authorities or whatever, we simply have to react. And there shouldn't be any (...) for me there can't be any excuses like "well, since it is like that, we can't do

Bill: ML *Bernd: L*			it". Of course we can, it's simply a matter of 'how'. It's always the question of 'how'. I mean (...) I know it's a platitude but how should you phrase it differently? Other than that (...) these hurdles from my point of view are basically homemade hurdles as far as it concerns the countries.
Venture (intl.) performance(2)	[…] initially, this was definitely, I wouldn't say unstructured, but not profound. In the meantime, we are in fact looking very detailed into the specific metrics […] by now it is very well-developed and I belief based on this we can scale very fast, exactly along the planning model.	Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying. When Brian joined the team as CEO, this might have changed a bit since it is fair to say that Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit […]".	It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. […] and then there is also some kind of a consultant role, whereby we are also actively intervening. *So if we really (...) want to do something or want to roll out something, where we might know this worked well in country A, we obviously want to test it in country B as well.*
Feedback effect on PES and complexity <u>Rating: HP</u> *Brad: HP* *Bill: HP* *Bernd: P*	I believe if I should bring it down to two [fostering factors for the internationalization] it would be capital, additional capital and network. […] by now it is very well-developed and I believe based on this we can scale very fast, exactly along the planning model.	Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying. So on the one hand this [the internationalization] was a bit driven by the investors, since our investors […] approached us saying "hey don't you want to do additional countries?"	It is a classic business development […] And the third thing is a bit of new market development.

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 5: Within-case analysis - venture F2
Source: Own illustration

4.4 The case of F3

Case description

F3 was founded in 2008 by Chris (CEO) and Carl (CTO)[31]. The venture is active in the MedTech industry, specifically in the development, manufacturing and sales of medical devices. Interviews were conducted with both founders as well as with Claudia, who joined the team in late 2011 as Sales Director. The company entered its first international market in 2010 and from then onwards expanded around the globe at a fast pace. At the time of the interviews, the venture was already present in 16 to 20 countries across five regions and generated an international sales share of more than 60 percent. All facts are summarized in Figure 10.

Key facts	• Foundation:	2008
	• Employees:	11 – 20 (2012)
Industry & business model	• Industry:	MedTech
	• Business model:	Development, manufacturing and sales of medical devices
Team	• Founders:	Chris (CEO) Carl (CTO)
	• Key employee(s) interviewed:	Claudia (Sales Director)
International footprint	• First international entry:	2010
	• Number of countries:	16 – 20
	• Regions:	Africa, Americas, Asia, Australia, Europe
	• International sales (%):	> 60 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 10: Case description - venture F3
Source: Own illustration

Within-case analysis

F3 expanded internationally at a very fast rate. Starting with the international expansion in 2010, the venture internationalized at an average *PES* of 10 countries per year.

As all interviewees emphasized, the fast internationalization resulted in considerable *complexity* (cf. Table 6). Claudia pointed towards *internationalization process related complexity* when mentioning cultural particularities and distance are major challenges for entering and dealing with international markets. Chris added that different languages and resultant product adaptations, logistics and getting access to local networks also drive the

[31] The interview with Carl had to be conducted on the phone. He was not available for a face-to-face interview since he was in Asia, supporting a distributor at a major fair.

complexity of each new entry. Carl underlined that the fast expansion furthermore caused considerable or*ganization related complexity*. For example, he stated that, due to its fast-pace international expansion, the venture had to adjust its organizational structure "three or four times by now. Along countries, regions, languages" (l. 487-488). In addition, Carl referred to *partnering related complexity* when stating that finding, qualifying and coaching the distributors is "a major effort" (l. 346) that "lasts for a couple of months" (l. 358-359) per partner.

However, F3 seemed to respond to the high level of complexity caused by its fast internationalization. As the interviewees emphasized, the venture formed a strong set of capabilities which eased handling the complexity. First, the venture formed relatively strong *internationalization process capabilities*. All three interviewees stated that initially markets were selected in a partial systematic way already, but that a high degree of opportunism was also present. While markets were already prioritized based on criteria like "size of the country, healthcare expenses per capita" (Chris, l. 347) and "regulatory requirements" (Carl, l. 442), Carl admitted: "However, we still took chances. So if somebody from a smaller country which we haven't thought of contacted us, we obviously have taken him as well" (l. 328-331). According to Chris, the venture, however, learned that these "opportunistic" (l. 561) entries drove complexity and thus should be avoided and that an even more structured market selection should be applied: "But I believe, especially for a product that involves service and training you should make sure that your business stays condensed to some degree. […] I guess I would now enter markets a bit more aggressive and more structured from the beginning" (l. 564-571). As Claudia and Chris revealed, F3's market entry process was not as systematic. Chris stated that the process mainly consisted of an upfront market research and of finding a strong local distributor. Claudia added, that the venture did not have "standard operation procedures" (l. 477) and that this impeded the prioritization of markets and drove complexity. She, however, also added that they recognized the need for an increasing systematization and already achieved first improvements during the entry process: "[D]uring the last year, we managed to get from a pure gut feeling towards a 'documented feeling'" (l. 485-486). An exemplary adaptation is the entry process. As Chris pointed out, the venture entered the first markets directly, which caused considerable complexity for example stemming from country particularities. Thus, the entry mode was adjusted and a rigid entry process of using local distribution partners was defined. As Claudia stated, this adaptation eased the handling of abovementioned complexity.

Secondly, F3 initially struggled with internationalization driven organizational challenges but formed strong *organizational adaptation capabilities* throughout the international expansion. Chris stated that initially the "areas of marketing and sales are neglected a little bit" (l. 128) and Carl added that the venture had to restructure the organization "three or four times by now. Along countries, regions, languages" (l. 487-488) and he continued that they "experimented a lot how to optimally share responsibilities" (l. 488-489). However, the complexity triggered considerable learnings and ultimately organizational adaptations. For example, the team hired Claudia, a very experienced sales director, "in order to improve the structure of these sales" (Claudia, l. 429) and for building a sales team. In addition, "product and application experts" (Chris, l. 391-392) were hired to relieve the sales department and to better support the distributors. Moreover, more and more international employees were hired based on "our language and culture matrix" (Carl, l. 505-506) to improve the understanding of particular markets and counteract complexity resultant from cultural particularities. Finally, the fast expansion and the resultant complexity according to Claudia required – and triggered – process improvements: "There are a lot of processes that we already changed and a lot where we know they potentially should be changed […]. The more you grow, the more you have to do" (l. 1084-1086). Chris confirmed that the fast expansion "brought a lot of dynamics into many activities" (l. 769-770) and he added that this "contributed a lot to the quality of processes and products" (l. 776-777). Chris exemplified that communicational processes were adjusted, "project plans got more rigid" (l. 914) and "the process of working with distributors became more rigid" (l. 386) and Claudia added that the sales planning process and even product development processes got more professional and more structured.

Thirdly, F3 developed strong *capabilities to leverage its external supporters* – consisting of several private investors. These investors provided financing but also supported the venture non-financially, which according to Claudia was "extremely important" (l. 841) for the international expansion. She even stated that "it wouldn't work without them" (l. 841-842). Confirming the overall importance for the internationalization and for handling the resultant complexity, Chris pointed out that the investors "told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry" (l. 578-580). Carl added that the investors motivated the company to approach the internationalization "more professionally" (l. 474) and "more structured" (l. 474). All interviewees furthermore mentioned very specific internationalization related support. Chris stated that the investors helped the team in the market selection by providing an excel tool for prioritizing markets and influenced the entry mode choice, advising the team to avoid a direct entry and use an "established distributor" (l. 1081) instead in order to keep the complexity manageable and the financial commitment limited. Chris added that support in other areas such as "networking topics or topics like strategic partnerships, exit partners, financing and managerial topics" (l. 729-731) was also particularly valuable in the international expansion. Carl said that one investor in particular brought in "a lot of structure and many contacts" (l. 758-759) and, exemplifying the value-added from this network support, he added: "We gained several distributors through him" (l. 758-759). Finally, F3's high capabilities to leverage its external supporters are also reflected in the very intense interaction with these supporters. As Chris stated, the exchange takes place on a weekly basis and he added that "in case we need any help from one of them and we e.g. need an additional two-day workshop or any other support – e.g. if it would be helpful that somebody travelled with us somewhere, or anything like that, that's always possible" (l. 697-699). Field notes confirm the intense interaction with and involvement of the external supporters. Directly before the interviews, the team conducted a four-hour workshop on the international expansion strategy with one investor. Press research further substantiates F3's strong capabilities to leverage its external supporters. One article revealed that the venture was able to gain another major financing round, partially targeted at the international expansion (web_08). Furthermore, F3's web page underlined the importance they place on their investors. All investors, their expertise and value-added are prominently featured (web_13). Another article quoted CEO Chris who emphasized that a specific investor actively supported F3's growth and was able to share a lot of experience (web_14).

Fourthly, the interviews revealed that F3 formed particularly strong *capabilities to leverage its foreign distributors* and that this skill considerably eased the handling of the internationalization related complexity. As Chris stated, the venture initially "tried approaching some countries a bit more directly" (l. 381) but soon realized that distributors offer an enormous value-added for handling the complexity stemming from the international markets: "We also have to offer a service. They know their markets very well and they are our partners. Thus the process of working with distributors became more rigid" (l. 384-386). Consequently, F3 continuously improved its abilities to leverage its distributors and, as Claudia and Chris stated, outsourced more and more activities to these partners. Claudia exemplified: "[T]he distributor is acquiring, presenting, selling and providing the service. [….] He also organizes congresses" (l. 402-410). Chris added that the partners have a key role in designing the local marketing concepts and "specify what is good practice in the particular region" (l. 466-467). Chris even stated that he perceives these partners to be "like a field sales representative who, however, is not on our payroll" (l. 305-306). Underlining the resultant advantages he continued: "In fact, by using these distributors, you don't build up a large internal sales force but rather an external one" (l. 306-308). As all interviewees underlined, F3 continuously worked on improving the selection, involvement and value-added of its partners. As Chris exemplified, the venture placed more and more focus on selecting the right partner and even started involving potential clients from the target market in this selection: "We ask him [the customer], who is the best service representative in your country, the best sales and service representative, with whom would you like to cooperate?" (l. 311-312). In addition, the training and qualification of the partners and the ongoing support offered were optimized more and more, which further eased the leverage of these partners. Chris stated that all partners are now initially trained for two weeks and Carl added that the training is complemented by conjoint customer visits and roadshows. Both Chris and Carl furthermore underlined that partners are visited on a frequent basis. Summarizing the initial commitment, Carl stated: "[D]uring the first months, we visit the distributors more frequently. The distributors organize meetings […] with the most important clients and we from F3 join these meetings. And we also provide continuous consulting. So I guess in practice, we have invested around two man-months per distributor" (l. 373-377). In addition, F3 according to Carl started interacting with its partners on a weekly basis and visited them "two to three times" (l. 166) a year. To further enhance the leverage of its partners, the venture according to Chris even adjusted its organizational structure, hiring additional "product and application experts" (l. 398) which are supporting the partners and initiated an "international distributor meeting" (l. 590), in which for example "the regional needs" (l. 594) are discussed with all distributors. As Claudia summarized, the distributor meeting "was a huge success" (l. 512). Field notes further substantiate the strong support F3 is providing to its distributors. The interview with Carl had to be done via Skype since he was in Asia, supporting a distributor at a major fair.

The analysis revealed that two entrepreneurial team level factors had an impact on above-described capabilities. While the inexistence of *prior startup internationalization experience* of F3's entrepreneurial team (partially) explains why the venture started from a relatively low initial capability level, the team's very low *complexity aversion* (among others) elucidates the strong formation intensity. The former factor and its impact are well-framed by Carl, stating that "[w]e have little experience in that sense. A lot of things are simply new to us as well" (l. 209-210). The latter factor, that is the entrepreneurial team's *complexity aversion* and its impact on the capability formation are particularly observable for Chris, who stated that the fast internationalization and the resultant complexity “brought a lot of dynamics into many activities. I think it’s positive that this field of tension exists” (l. 769-771). He even added that the internationalization related complexity “rather contributed to the optimization” (l. 919-920) and for example “contributed a lot to the quality of processes and products” (l. 776-777).

The high overall capability level also seems to explain why F3 showed a strong *venture performance* despite facing a high degree of complexity. The venture for example achieved an international sales growth of around 40 percent per year and, as a press article revealed, already reached an estimated sales figure in the seven to eight digit range in 2011 (web_22). The positive performance impact resultant from the organizational adaptation capabilities is exemplified by Chris. As he stated, improvements in this area have “contributed a lot to the quality of processes and products” (l. 776-777). In addition, Claudia and Carl both underlined the positive impact of the capabilities to leverage external supporters. Claudia mentioned that these supporters were “extremely important” (l. 841) for fostering the international growth – providing for example “contacts” (l. 846) and “new ideas” (l. 846). Carl added that the investors actively pushed the internationalization “because we become much more competitive” (l. 952) and that one investor for example helped increasing the efficiency by “bringing in a lot of structure and many contacts” (l. 758). Finally, Chris emphasized the performance benefits from venture’s abilities to leverage its foreign distributors. As he stated, these partners enable F3 to save labor costs and gain flexibility since they can be considered as “a field sales representative who, however, is not on our payroll” (l. 305-306). Further underlining these benefits, he continued: “In fact, by using these distributors, you don’t build up a large internal sales force but rather an external one” (l. 306-308). Press research further substantiates the importance of specific capabilities for generating these performance benefits. In one article, Chris was quoted stating that the latest fundraising the venture was able to attract will “push our growth through the continued internationalization” (web_33) and in a second article he added that both new distributors and new investors the venture gained, will enrich F3’s market experience and facilitate future growth (web_34).

Interestingly, the strong capabilities F3 developed not only helped the venture handling complexity and achieving direct performance benefits, but also eased subsequent market entries and thus had a positive *feedback effect* on the future PES rate as well the resultant complexity level. Carl for example revealed that internationalization process capabilities and specifically the more and more systematized market selection process eased the expansion: “[T]he result [from the market analysis] was a list, through which we then consequently went”

(l. 325-326). In addition, Carl stated that the capabilities to leverage external supporters fostered the subsequent expansion rate. Referring to a specific investor, he mentioned that they “gained several distributors through him” (l. 758-759) which resulted in various market entries. Revealing a certain pressure for an increased expansion, Carl furthermore stated that the international expansion “is of critical importance to the investors” (l. 951) and continued: “It’s about speed” (l. 952-953). A press article on F3’s international expansion further supports the positive feedback effect, revealing that the venture already entered eight additional countries after the interviews (web_45).

In conclusion, F3 expanded internationally at a very high PES rate, which resulted in a considerable amount of complexity the venture faced. This complexity, however, – and the low aversion towards it – stimulated the intense formation of specific internationalization related capabilities. Specifically, the venture formed relatively high internationalization process capabilities, high organizational adaptation capabilities, high capabilities to leverage external supporters and high capabilities to leverage foreign distributors. These capabilities helped the venture handling the internationalization driven complexity and thus enabled F3 to benefit intensely from the internationalization and to achieve a clearly positive performance impact. In addition, these capabilities eased additional market entries and thus strengthened the subsequent PES rate of the venture.

Variable	Chris (CEO)	Carl (CTO)	Claudia (Sales Director)
Complexity <u>Rating: H</u> *Chris: H* *Carl: H* *Claudia: H*	[…] every country has its own society, where the five top people are then again active in an international society. It's always an additional investment, making studies again, shipping another product there. […] There's the transportation cost. Then the introduction, training and the translations. The user manual, service manual and the work instructions normally have to be available in the local language. These are all solvable problems but in the first place actual investments.	It is a major effort. Well you have to be honest. First, there's the effort of convincing the distributor to start with us. […] finding the distributor at the beginning and then convincing the clients to buy the product, that's the first big chunk of work and lasts for a couple of months. […] we are constantly adapting it [the organizational structure] ((laughing)) […] we did it for the internationalization, or actually had to do it. I think we have restructured it three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities.	I would say that cultural differences and working in almost virtual teams are of high importance. Simply because in a startup, you don't have the money to travel everywhere and talk to people. How can I build up contacts so that trust is achieved – in particular in Asia?
Internationali-zation process capabilities <u>Rating: MH (ML)</u> *Chris: MH (ML)* *Carl: - (ML)* *Claudia: MH (ML)*	I think, we always approached the new countries a bit opportunistically as well. This means that in case there was a chance to install a product or a client who wanted to have it, we did it. So it was not filtered based on size …. *We did have this list and have searched for distribution partners systematically in that order.* But I believe, especially for a product that involves service and training you should make sure that your business stays condensed to some degree. […] I guess I would now enter markets a bit more aggressive and more structured from the beginning […] you probably could have built up everything more parallel or more structured and at a higher pace I guess. For every country, we initially checked the conditions for the registration of products, for the market entry, the size of the country, healthcare expenses per capita […]. Normally, we were then searching for a distribution partner relatively quickly and thus the selection of the partner became the main preparation. In Southern European country A, we first started directly but we soon realized that we actually don't want this due to all the payment conditions, etc. Consequently, we now have distributors everywhere apart from Germany.	We actually searched for countries and we checked the expenditures in the health sector, the number of people living in these countries and the regulatory requirements. And the result was a list through which we then consequently went […] However, we still took chances. So if somebody from a smaller country which we haven't thought of contacted us, we obviously have taken him as well […].	*Interviewer: Do you have a systematic internationalization process? Is it written down? [….]* Claudia: No, But that's exactly what I am trying to explain here the whole time, even if you can only see it on this weird piece of paper here. We have to segment customers and markets into A, B and C. Because it's just done like that in order to be able to set priorities. So, it is not written down in the form of a standard operation procedure but, yes, it is discussed. […] I mean, during the last year, we managed to get from a pure gut feeling towards a 'documented feeling' […]. So, everything apart from Germany goes via distributors …. This means we are trying to avoid administration from the very beginning.
Organizational adaptation capabilities <u>Rating: H (ML)</u> *Chris: H (ML)* *Carl: H (ML)* *Claudia: H (ML)*	I guess one weakness when you are a spin-off from the university and are starting from the technology side always is that the areas of marketing and sales are neglected a little bit. […] However, in the meantime, we focused on building up our own sales team with dedicated sales people. What we actually did is that we internally searched for and trained more product and application experts. Particularly in the course of the internationalization. I guess the thing really is that it brought a lot of dynamics into many activities. […] So, from my point of view, it contributed a lot to the quality of processes and products. *Interviewer: Did the increasing international presence have any impact on the complexity or even the manageability of the company?* Chris: I don't think so ((hesitating)). I even think it rather contributed to the optimization, particularly since the processes improved. I guess the external communication in particular. […] Especially the project plans got more rigid.	[…] we are constantly adapting it [the organizational structure] ((laughing)) […] we did it for the internationalization, or actually we had to do it. I think we have restructured it three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities. And we simply look into our language and culture matrix and in case we recruit new employees, we see to get our desired language and desired culture.	And from 2010 onwards the first sales started and in 2011, I joined in order to improve the structure of these sales. In fact all processes have changed if you look at it like that. […] There are a lot of processes that we already changed and a lot where we know they potentially should be changed but we haven't changed them yet. That's really an ongoing thing. The more you grow, the more you have to do. I mean, a lot is compensated by the effort of the individuals – but not in the sense of the structure. So you can definitely say it's an ongoing change process.

Capabilities to leverage external supporters <u>Rating: H (H)</u> *Chris: H (H)* *Carl: H (H)* *Claudia: H (H)*	They [the investors] are all med tech entrepreneurs, who have done this before, who have already internationalized products, or more precisely internationalized innovative products in the med tech sector, and I would say that really is 'the one and only'. But other than that I would say we were always well prepared [for the internationalization] [….]. Also due to the fact that we had the advisory board at our disposal who told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry. The advisory board discouraged us from getting active e.g. in American country A directly since this basically would be a cash burning machine. Instead, they recommended we'd better work with an established distributor, give away some margin but get a direct market access instead. They [the other investors] are less actively involved in the internationalization, in questions regarding market entries or strategic decisions, but rather in networking topics or topics like strategic partnerships, exit partners, financing and managerial topics where they are also supporting. That's a consulting advisory board. We are meeting six times a year, i.e. every second month, and discuss topics from financing to product development, marketing, market launches and regions for two and a half hours […]. And in addition, I am talking to almost everybody on the phone at least once a week and even my colleagues are contacting them pretty frequently. […] in case we need any help from one of them and we e.g. need an additional two-day workshop or any other support – e.g. if it would be helpful that somebody travelled with us somewhere, or anything like that, that's always possible.	[…] I guess after the second financing round or the series A, a lot of consultants came on board. […] They joined and simply said: "You should maybe do this a bit more structured, it makes more sense if you want to keep on working more professionally." And in fact the sample for this table was provided by Investor A. We simply took it, I mean adapted it since he did it for different markets and products. Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A for bringing in a lot of structure and many contacts. We gained several distributors through him.	[The investors are] extremely important I have to say. I mean, it wouldn't work without them. It really wouldn't. And here we had a sales vice president, who supported it [the market selection]. He built up an international med tech startup before. We have a comparable technology regarding the navigation. And he brought in his contacts, which means we could reach distributors who are already involved in this type of technology.
Capabilities to leverage foreign distributors <u>Rating: H (ML)</u> *Chris: H (ML)* *Carl: H (-)* *Claudia: H (ML)*	From a process perspective we tried approaching some countries a bit more directly since we thought why always giving away money to the distributors if you can do it yourself? However, by now we are fully convinced of working with distributors. We also have to offer a service. They know their markets very well and they are our partners. Thus the process of working with distributors became more rigid. Well, there [regarding marketing] we work with our distributors individually since they specify what is good practice in the particular region. Even in Austria, we by now have a distributor simply because we have a good partner, who actually is like a field sales representative who, however, is not on our payroll. In fact, by using these distributors, you don't build up a large internal sales force but rather an external one. […] the selection of the distributors [was] the main preparation. Is he well-qualified, does he bring the necessary sales, is he active in our field, is he aggressive enough, can he handle innovations or only sell standard products?	[…] during the first months, we visit the distributors more frequently. The distributors organize meetings […] with the most important clients and we from F3 join these meetings. And we also provide continuous consulting. So I guess in practice, we have invested around two man-months per distributor […]. For more important meetings with more important clients, they need more know-how. There we also have to show that we as a German company are supporting them. Thus we join these meetings. We are visiting our distributors, as an estimation, two to three times ((hesitates)) let's say per year so that they aren't left in the dark.	So the distributor is acquiring, presenting, selling and providing the service. In the first year, we are helping him free of charge, he simply schedules meetings and then we join. [….] He also organizes congresses […] and we are on site in order to support him. In the past, the distributors came and were trained in this room here. And now, we have done a huge distributor meeting with 30 invited guests […]. It was a huge success.

	We ask him [the customer], who is the best service representative in your country, the best sales and service representative, with whom would you like to cooperate? Then we try to contact him. You […] nevertheless have to train the distributors and have to go to the clients with them. It takes at least one week, if not two weeks for the introduction […]. And then there normally is a frequent contact […] in fact you have to call them once a week and check. […] So that requires a lot of additional resources that you have to accumulate internally per distributor […]. The weekend before the last, we had an international distributor meeting in Munich with 30 participants from 20 partners. […] there you also see the regional needs. We changed the organization in a way that we are now having more people as contact persons, who know the work processes of the clients, who are capable of installing the product at the client's site. So we have built up product and application experts.		
Prior startup internationali-zation experience(1)	From a process perspective we tried approaching some countries a bit more directly since we thought why always giving away money to the distributors if you can do it yourself. However, by now we are fully convinced of working with distributors.	We have little experience in that sense. A lot of things are simply new to us as well.	
Complexity aversion <u>Rating: L</u> *Chris: L* *Carl: -* *Claudia: -*	*Interviewer: Did the increasing international presence have any impact on the complexity or even the manageability of the company?* Chris: I don't think so ((hesitating)). I even think it rather contributed to the optimization, particularly since the processes improved. I guess the thing really is that it brought a lot of dynamics into many activities. I think it's positive that this field of tension exists […] So, from my point of view, it contributed a lot to the quality of processes and products.		*Well, we don't have agents but real distributors. Because for an agent, we would have to write the bills ourselves, which includes commission and other things that are creating a lot of administrative effort on our side. [….] This means we are trying to avoid administration from the very beginning.*
Venture (intl.) performance(2)	I guess the thing really is that it brought a lot of dynamics into many activities. […] So, from my point of view, it contributed a lot to the quality of processes and products. Even in Austria, we by now have a distributor simply because we have a good partner, who actually is like a field sales representative who, however, is not on our payroll. In fact, by using these distributors, you don't build up a large internal sales force but rather an external one.	Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A for bringing in a lot of structure and many contacts. If we only focus on the early adopters in Germany, our development won't be nice at all. Thus it [the internationalization] is of critical importance to the investors. Simply because our market immediately gets much more interesting, because we become much more competitive and much faster.	[The investors are] extremely important I have to say. I mean, it wouldn't work without them. […] [They are supporting] by providing contacts, by providing, let's say new ideas and models that already worked before.
Feedback effect on PES and complexity <u>Rating: HP</u> *Chris: HP* *Carl: HP* *Claudia: -*	I guess the thing really is that it brought a lot of dynamics into many activities.	We actually searched for countries and we checked the expenditures in the health sector, the number of people living in these countries and the regulatory requirements. And the result was a list, through which we then consequently went. If we only focus on the early adopters in Germany, our development won't be nice at all. Thus it [the internationalization] is of critical importance to the investors. Simply because our market immediately gets much more interesting, because we become much more competitive and much faster. It's about speed.	

		Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A […]. We gained several distributors through him.	

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 6: Within-case analysis - venture F3
Source: Own illustration

4.5 The case of F4

Case description

In 2007 Dave (CEO) and Dan (CTO) founded the venture F4. The venture is developing and selling a specific type of fashion goods. Interviews were conducted with both founders as well as with three employees: Derek, the Head of Marketing, who works for F4 since the foundation; Daniela, who joined F4 in 2010 and is currently working in the Sales & Operations department; and Daren, a Product Designer who worked for the team as freelancer since 2010 and is a full employee since 2012.[32] F4 entered its first foreign market in 2009 and then expanded around the globe. At the time of the interview, the venture was present in more than 20 countries across five regions and the share of international sales exceeded 60 percent. Figure 11 summarizes these facts.

Key facts	• Foundation: • Employees:	2007 6 – 10 (2012)
Industry & business model	• Industry: • Business model:	Fashion Development and sales of consumer goods
Team	• Founders: • Key employee(s) interviewed:	Dave (CEO) Dan (CTO) Derek (Head of Marketing) Daniela (Sales & Operations) Daren (Product Designer)
International footprint	• First international entry: • Number of countries: • Regions: • International sales (%):	2009 > 20 Africa, Americas, Asia, Australia, Europe > 60 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 11: Case description - venture F4
Source: Own illustration

Within-case analysis

After its first foreign market entry in 2009, the venture proceeded with its internationalization at a high average *PES* of 8.6 countries per year.

As all interviewees underlined, the venture faced a high level of *complexity* resultant from its fast international expansion (cf. Table 7). With regard to the *internationalization process related complexity*, Derek stated that language barriers and the fact “that markets work completely different” (l. 342-343) made every new market entry a challenge. Dave added that

[32] Due to their more specific, operational roles, Daniela and Daren are only involved in strategic decisions to a very limited degree. Consequently, they could not comment on all areas of interest in this dissertation.

"tariffs" (l. 198) and additional "market entry barriers" (l. 201) such as administrative challenges considerably complicated competitive entries in new markets and required for "a really well thought through market entry strategy" (l. 200). In the same vein, the other interviewees referred to "regulatory barriers" (Dan, l. 749); tariffs and customs (Dan and Daniela) as well as cultural particularities (Daren) which all drove the complexity of F4's fast-pace international expansion. This international expansion pace according to both Derek and Daren also resulted in *organization related complexity*. Derek stated: "Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand, we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive" (l. 371-374). Confirming these organizational challenges, Daren stated that he has to rework the structure in his department since "it is all a bit fuzzy" (l. 951-952).

As the interview data revealed, F4, however, counteracted the emergent internationalization related complexity by forming specific capabilities which eased the handling of complexity. Firstly, F4 formed relatively strong *internationalization process capabilities*. As Daren revealed, the venture initially selected its markets relatively opportunistic and reactive based on potential distributors approaching the venture: "[I]n the area of market entries, previously people just approached us and said: "I'm from Italy and I want to sell your product"" (l. 263-265). This opportunistic approach, however, resulted in capacity bottlenecks (Dave) and in several failed entries (Derek) and thus triggered the learning that a more systematic market selection process is required to counteract these issues. Derek underlined this conclusion, stating: "I guess a solid research for various countries, probably could have made things a bit easier" (l. 523-524). In the same vein, Dave added that he would now do "everything less opportunistic, simply approaching everything with a better plan" (l. 496-497). Based on these learnings, the venture according to Dave developed a sales plan; prioritized markets based on their potential and defined eight focus countries for the next year. As he stated: "We don't want to do everything in parallel and then just dawdle along, no, we say, we will do and complete it in a sequence. I mean it is more a plan of action" (l. 1372-1375). Daren confirmed first improvements, stating that "it already became much more structured" (l. 262-263). Summarizing the importance of the more systematic market selection for keeping the complexity manageable and for avoiding failed entries, Dave stated: "So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market opportunistically since you would simply burn too much ground" (l. 1341-1345). As several interviewees (Dave, Dan, Daniela) revealed, F4 initially also struggled with the entry process and "[h]ow to handle the foreign business properly" (Dave, l. 1030-1031). But Dave pointed out that the venture soon realized a better planning was important and Daren stated that "it already became much more structured […] in the area of market entries" (l. 262-263). According to Derek, the venture for example decided to avoid own subsidiaries and the associated major complexity and focus on exclusive distributors as preferred entry mode instead. Nevertheless, Dave admitted that the overall entry process still is "probably intuitively, but there is no documented process" (l. 553-554).

Secondly, F4 responded to the high complexity faced and to aforementioned organizational challenges with a comparably low degree of *organizational adaptation capabilities.* As Derek revealed, the initial structure and processes were not designed for the fast international expansion and the venture consequently had to "rework a lot of things internally and have to achieve a level of structure, where we really are competitive" (l. 373-374). Interestingly, improvements in this area were limited up to now. Dave for example conceded that the structure was not adapted yet and was still very "lean" (l. 399). Derek added that the venture still did not work with job titles and Daren admitted that roles and responsibilities were not always clearly defined yet. However, first improvements were also observable. As Daren stated, the venture started working on its structure. Furthermore, Daniela was hired in 2010 to support the internationalization as part of the Sales and Operations team. First improvements of the organizational processes were also observable. Daniela stated that the venture is "currently trying to define processes" (l. 339). As Dan exemplified, they "started making much more documentation" (l. 1024) and "more meetings […] [b]ecause due to the internationalization, even in a small company, many people are not informed anymore what is happening" (l. 1025-1027). He even added they started introducing "quite a lot of standard procedures" (l. 1031). Dave mentioned that additional processes for example related to "supply chain or logistics" (l. 1217) were also improved. But, as Derek summed up, further improvements are required to keep the complexity manageable in the long term:"[N]ow we obviously have to continue the path we stroke a bit more professional and more focused, and we have to stabilize the setup so that it all works out in the long run" (l. 767-769).

Thirdly, F4 revealed comparably low *capabilities to leverage its external supporters*. While the venture according to Dan does not have external investors and is still self-financed, both Dave and Dan referred to several people that provided non-financial support to the venture. As Dave stated "there's a handful of people who is supporting us, who we meet on a more or less regular basis in order to create an exchange of experiences and to also get external feedback" (l. 863-865). The advisors mentioned by Dave are an editor of a magazine from the same industry, an employee of a marketing agency and the head of a large company in the same sector. As Dan and Dave pointed out, these advisors provide support in areas such as "brand development" (Dan, l. 701), "PR" (Dan, l. 702) and "quality management" (Dan, l. 703) as well as "on market entries, pricing, logistics" (Dave, l. 881-882). However, both Derek and Dan acknowledged that more active support and financing by external investors would be required for a continued expansion. As Derek stated: "Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think" (l. 473-474).

Fourthly, F4 formed extremely strong *capabilities to leverage its foreign distributors,* which, as frequently emphasized by the interviewees, were of central importance for the fast international expansion (Dave, Dan, Derek, Daren). While the venture according to Derek initially considered entering countries directly, they soon realized that "this is a completely different level in terms of the internal setup" (l. 279-280) and that distributors are a high value-added for keeping the complexity manageable. Consequently, the venture continuously improved both the selection and the involvement of these distributors.

For the first partnerships, the selection according to both Daren and Dave was still opportunistic and reactive and the involvement of and interaction with these distributors was too passive. But as Dave revealed, the venture realized that selecting the wrong partners or neglecting the interaction and thus increasing "the perceived distance of the partnership" (l. 349-350) reduces the value-added F4 could draw from these firms and even might result in failed entries. He stated "it was only Asian country A and B where it didn't work out well. But looking back it is totally clear […]. If these companies were visited more frequently or more intensely, if the exchange was more frequent […], then you would of course take care of it more intensely" (l. 346-353).

Based on this learning, they intensified the partner interaction and involvement more and more and, as Dave recapped, set the focus on "the support side and on the further scaling of the countries that we already entered […]. This either means bringing existent partners to the next level or […] [finding] a new partner" (l. 1107-1114). Both Daren and Dan pointed out that the selection process was considerably improved. According to Dan, a "distributor questionnaire" (l. 578) was developed to systematize the initial screening and Daren added that processes overall got "much more structured" (l. 263) and more selective: "Now, we actively search and compare" (l. 265). As Derek confirmed, F4 already replaced first partners since they were not satisfied with their performance. In addition, the interaction with and involvement of these partners was considerably improved. As Derek stated, the venture for example started "visiting the major markets for every new collection" (l. 592-593) and both "integrative events" (l. 595) and "roadshows" (l. 597) were organized. Dave added that the improved interaction and involvement were eased (among others) by improvements in distributor related processes such as the direct delivery concept and the focus on exclusive partnerships. As he continued, these improvements eased the handling of the associated complexity and enabled the venture to "work on a totally different level with way better qualitatively superior distributors" (l. 744-745).

As a result from all these improvements, F4 could draw an increasingly strong value-added from its distributors. For example, both Dave and Dan emphasized that the distributors were more and more involved in product development and design and, as Dan stated, got "a lot of feedback from […] distributors" (l. 427-428). As Dan added: "[T]here are several products, where the idea actually comes from one country and where other countries then say: "Great idea, this perfectly works for us" (l. 623-624). Dave added that, in order to capture the distributor feedback on the products, a questionnaire with "standardized questions" (l. 623) was introduced and recently even global distributor meetings (four per year; partially dedicated to product development and feedback on product designs) were institutionalized. Finally, Dave pointed out that F4 involves its partners more and more in marketing activities. As he stated, partners are "doing marketing and [are] also active in the brand development for the country" (l. 335), but are also increasingly included in strategic discussion "on sales topics, on pricing, brand development" (l. 606-607) and so on. For this purpose, and for stimulating the best practice sharing of distributors across countries, F4 according to Dave dedicated two of the recently developed global distributor events to marketing and sales topics. Summarizing the overall value-added of the partnering for F4, Dave stated: "[A]s I said, you have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. It is a total success model" (l. 333-336).

Summing up, F4 achieved an overall moderate capability level up to now. While their capabilities to leverage foreign distributors were very strong and the internationalization process capabilities still relatively high, the organizational adaptation capabilities and the capabilities to leverage external supporters were only developed to a relatively low degree.

According to the data, two entrepreneurial team level factors (among others) explain the overall moderate capability level. First, the inexistence of *prior startup internationalization experience* of the entrepreneurial team (partially) explains why F4 started from a low initial capability level. For example, Dave perceived the "'know-how' in the company how to handle the foreign business properly […] how that works" (l. 1030-1032) to be a major internationalization hurdle and Daniela confirmed that they "don't have somebody here who actually learned this [the export] or who is specialized on it" (l. 544-545). Second, the mixed and overall only moderately low *complexity aversion* of the entrepreneurial team (among others) caused the moderate capability formation intensity. On the one hand, Dan and Dave revealed a low aversion. Dave for example pointed out that he would "definitely advice companies in our industry to internationalize pretty fast" (l. 1341-1342). On the other hand, Derek and Daren demonstrated a clearly higher aversion. Daren mentioned that the (too) fast internationalization and resultant complexity "might have the effect that the quality suffers" (l. 479-480) and Derek even stated that "from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react" (l. 518-521).

The moderate capability level also seems to explain why F4 only achieved a moderately high *venture performance* and for example only realized a comparably 'modest' average international sales growth of 23 percent per year. As the interview data revealed, F4 could cope with the complexity to some degree based on its relatively well-developed internationalization process capabilities and capabilities to leverage its foreign distributors, but also struggled with complexity in other areas due to still 'insufficiently developed' capabilities of adapting the organization and of leveraging external supporters. On the one hand, several interviewees emphasized the particular importance of F4's strong capabilities to leverage its foreign suppliers for handling the internationalization related complexity and ultimately for achieving performance-benefits. As Dan revealed, this capability was crucial for overcoming growth hurdles: "[W]e of course thought about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors" (l. 274-277). The capability improvements in the form of aforementioned optimized cooperation processes according to Dan furthermore yielded efficiency gains for F4. Dave added that additional benefits from the improved leverage such as "this multiplier effect in markets, where the distributor is also doing marketing" (l. 334-335) also contributed to both growth and efficiency gains. On the other hand, the interviewees also revealed the negative performance impact resulting from lower capability levels in certain areas. For example, referring to the relatively low organizational adaptation capabilities, Derek revealed that the organizational issues and inefficiencies resulting from the fast growth (and the insufficient adaptations) were a growth constraint: “Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. In addition, Derek pointed towards certain deficiencies in the internationalization process capabilities, specifically in the (initially low) systematization of the market selection, which resulted in several expensive failed market entries: “I guess a solid research for various countries probably could have made things a bit easier” (l. 522-523). On the other hand, we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here” (l. 371-374). In addition, Derek revealed the negative performance impact of F4‘s insufficiently optimized organizational processes, stating that the objective “basically is working more efficiently, allocating the time more usefully, raising the quality level, putting it all on a broader human resource basis and thus making it more sustainable” (l. 1226-1228).

Finally, the *feedback effect* of the moderate capability level on the subsequent PES and the resultant complexity was also mixed. As the interviews revealed, the relatively strong internationalization process capabilities, and even more the capabilities to leverage foreign distributors considerably eased the subsequent entries and thus strengthened the expansion rate. For example, Dave underlined that the increasingly systematic internationalization process considerably fosters the fast expansion: “So if you do it [the fast expansion] consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody” (l. 1348-1349). As he added, the improved market selection and the resultant prioritization of countries yielded “a plan of action” (l. 1375), that is a roadmap with specific focus countries, which facilitated a faster, more focused international expansion. Underlining the importance of F4’s abilities to leverage its distributors, Dan added that these partners considerably eased the fast international expansion and the drop shipping concept (i.e. the direct delivery from the production site to these distributors) implemented as part of the optimized cooperation with the distributors, further fostered the fast internationalization. However, the interviewees also revealed that the lower capability level in other areas, and particularly the relatively low organizational adaptation capabilities and the limited capabilities to leverage external supporters, impeded the subsequent expansion. As Dan stated, limited (organizational) resources made the entry into a specific (large) market a complex endeavor which the venture decided to avoid so far: “[We] stepped back due to this reason [a lack of resources] until now. That would be so complex" (l. 300). Both Derek and Dan furthermore mentioned that the limited external support was another constraint for the future international expansion. As Derek stated: "Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think" (l. 473-474).

To conclude, F4 expanded at a very high PES. The fast expansion resulted in a high level of internationalization related complexity. To handle the complexity faced, F4 developed specific capabilities, however, only achieved an overall moderate capability level (composed of strong capabilities to leverage its foreign distributors, relatively strong internationalization process capabilities, relatively low organizational adaptation capabilities and relatively low capabilities to leverage external supporters). This moderate capability level is (partially) due to the inexistent prior startup internationalization experience and, more importantly, by the mixed and overall only moderately low complexity aversion of F4's entrepreneurial team. As a consequence of the moderate capability level, F4 could not fully benefit from its fast internationalization and also experienced some constraints with respect to its subsequent international expansion speed.

Variable	Dave (CEO)	Dan (CTO)	Derek (Head of Marketing)	Daniela (Sales & Operations)	Daren (Product Designer)
Complexity <u>Rating: MH</u> *Dave: MH* *Dan: MH* *Derek H* *Daniela MH* *Daren: MH*	[Entry barriers] are tariffs in some countries which make it simply impossible being competitive in those markets – at least without a really well thought through market entry strategy. Secondly, there are market entry barriers apart from customs, let's say the administrative barriers. If you think about countries like Eastern European country A or B, it is already difficult making sure that the products can cross the border. Actually, it was only Asian country A and B where it didn't work out well. But looking back it is totally clear – and I can also confirm this based on my time in Asian country C – the differences in time zones and languages as well as cultural barriers, etc. are all problematic. But the main barrier from my point of view really is the distance, and in that sense also the perceived distance of the partnership.	[…] the countries, where it is the most difficult are American country A, where there are some regulatory barriers and then Eastern European country A, where we haven't even entered the market yet. There are a lot of factors that already make it really difficult delivering products to this market. […] Then, in Northern Europe it is sometimes also difficult due to their different customs and the high tariffs.	We became aware pretty quickly that markets work completely different. There are simply entry barriers such as languages or how sales works. Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand, we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here. We simply have to position ourselves in order to do this well. In the long run, this is true great art. So now everything related to handling the distributors obviously implies a lot of complexity regarding customs, importing, etc.	*[…]The problem often is also related to logistics and customs. […] I guess that if we take additional steps, if we enter additional countries and become larger, it will of course become more difficult or you at least have to do a lot.* That [Easter European country A] was pretty complex since we all of a sudden faced problems we haven't thought of before, or for example we didn't know that customs are a matter as complex.	Well, especially in the Asian market they are very particular regarding the interpretation of colors, etc. [The main objective is] that I am now trying to incorporate the structures that we are currently trying to build also in my field of work more and more […]. And ((hesitating)) that I redefine these fields more properly, simply because I said that it is all a bit fuzzy. You should define and divide clear areas of work.
Internationali- zation process capabilities <u>Rating: MH (ML)</u> *Dave: MH (ML)* *Dan: MH (ML)* *Derek - (ML)* *Daniela - (ML)* *Daren: MH (ML)*	*Interviewer: Are there any things you would do differently if you started the internationalization again?* Dave: Yes, well ((laughing)). Doing everything less opportunistic, simply approaching everything with a better plan. That's the plan for the next three to five years […]. But there we also selected eight countries for the next years, where we say that this is now the area of focus, and within this we'll prioritize again what we approach, and in what way. We don't want to do everything in parallel and then just dawdle along, no, we say, we will do and complete it in a sequence. I mean it is more a plan of action. We don't want to enter all countries in parallel without having the weapons ((laughing)) to be really successful. So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market	*Interviewer: Do you now have a clear process if you enter a country?* Dan: Yes, in this case it's like that, we have a lot of inquiries from different countries and you first have to filter that… We have developed a distributor questionnaire that they have to fill out first.	I guess a solid research for various countries, probably could have made things a bit easier. We are trying to avoid own subsidiaries wherever possible since this is a completely different level in terms of the internal setup.	That [Easter European country A] was pretty complex since we all of a sudden faced problems we haven't thought of before, or for example we didn't know that customs are a matter as complex.	[…] it already became much more structured. I believe in the area of market entries, previously people just approached us and said: "I'm from Italy and I want to sell your product". Now we actively search and compare, at least from my point of view.

	opportunistically since you would simply burn too much ground. In small markets or in Europe, this works. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit […]. [A key hurdle] probably is the 'know-how' in the company how to handle the foreign business properly. So everything regarding the foreign business in general, how that works […]. *Interviewer: Have you had a clear process for the internationalization from the beginning?* Dave: No. *Interviewer: Does it exist now?* Dave: Well ((hesitating)), probably intuitively, but there is no documented process.				
Organizational adaptation capabilities <u>Rating: ML (L)</u> *Dave: ML (L)* *Dan: ML (L)* *Derek ML (ML)* *Daniela ML (L)* *Daren: ML (ML)*	*Interviewer: Have you somehow adapted the company structure?* Dave: No, not really. That's also because we are very lean ((laughing)). Inga just joined us around two or two and a half years ago, which means for all the first steps I was basically alone […]. Yes, well, the order fulfillment has changes in the sense that we are also trying to make sure that we do things properly and right in that area, that we document everything well, right and verifiable. I mean, on the supply chain or logistics side.	[…] we started making much more documentation. We started doing more meetings where we discuss everything related to the specific areas. Because due to the internationalization, even in a small company, many people are not informed anymore what is happening. […] We introduced quite a lot of standard procedures there.	Since it was all done very quickly, we […] have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here. *We simply have to position ourselves in order to do this well.* [The objective] basically is working more efficiently, allocating the time more usefully, raising the quality level, putting it all on a broader human resource basis and thus making it more sustainable […]. And now we obviously have to continue the path we stroke a bit more professional and more focused, and we have to stabilize the setup so that it all works out in the long run.	[…] we are currently trying to define processes and to see how things can be improved, and to document this so that you can recap how it is done and that you do it alike.	[The main objective is] that I am now trying to incorporate the structures that we are currently trying to build also in my field of work more and more […]. And ((hesitating)) that I redefine these fields more properly, simply because I said that it is all a bit fuzzy. You should define and divide clear areas of work.
Capabilities to leverage external supporters <u>Rating: ML (ML)</u> *Dave: ML (ML)* *Dan: ML (ML)* *Derek - (-)* *Daniela - (-)* *Daren: - (-)*	[...] we don't have a classic advisory board or a board of directors, but there's a handful of people who is supporting us, who we meet on a more or less regular basis in order to create an exchange of experiences and to also get external feedback. That's a former editor of a leading magazine of the industry ((laughing)), who is now working for another magazine and who is very familiar with the industry and	We have an [advisor] from the media area, who is consulting us regarding brand development, etc. Then we also have some support in the PR area and in the quality management. There we do seek external feedback. *Interviewer: But you for example did not search for extra financing for the internationalization?* Dan: No, not for now. But later, in case we wanted to continue,	I guess the need resulted from the company size. Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think.		

	the PR […]. The other person is working for a large advertising agency. There we get a lot of support regarding corporate identity, corporate design, […]. So we have everything related to marketing, brand development and communication. And the third person is no founder but the CEO of a large company in the industry […] we exchange views on market entries, pricing, logistics, etc. pretty intensely.	we would probably need it though.			
Capabilities to leverage foreign distributors <u>Rating: H (ML)</u> *Dave: H (ML)* *Dan: H (ML)* *Derek H (-)* *Daniela - (-)* *Daren: H (ML)*	Actually, it was only Asian country A and B where it didn't work out well. But looking back it is totally clear – and I can also confirm this based on my time in Asian country C – the differences in time zones and languages as well as cultural barriers, etc. are all problematic. But the main barrier from my point of view really is the distance, and in that sense also the perceived distance of the partnership. If these companies were visited more frequently or more intensely, if the exchange was more frequent or if they maybe even had some people from other firms whose products they distribute in the market, then you would of course take care of it more intensely [The focus] changed in the way that it was initially more on the planning side related to increasing sales and thus on finding international partners. Now it is more on the support side and on the further scaling of the countries that we already entered […]. This either means bringing existent partners to the next level or […] [finding] a new partner. Now that our processes are better established […] we can work on a totally different level with way better qualitatively superior distributors. The query has the form of a template with standardized questions, which we then aggregate from the national queries on an international level afterwards. Basically, we have three to four meetings with our sales partners. There are two design reviews where we look at the	We have developed a distributor questionnaire that they [potential distributors] have to fill out first. *Well, we basically get a lot of feedback from both consumers and distributors, then quickly think about it and try to implement it immediately.* […] there are several products, where the idea actually comes from one country and where other countries then say: "Great idea, this perfectly works for us".	We are trying to avoid own subsidiaries wherever possible since this is a completely different level in terms of the internal setup. [Fostering for the internationalization was] the lift to a global brand, simply due to the fact that we had a distributor who already sold two global brands and then suddenly sold a third brand, which apparently had to be a global brand as well. That's how we were perceived. In addition, we are visiting the major markets for every new collection and are training the sales personnel […]. And then we are trying to do integrative events such as conjoint internet activities, events where we invite international stars we then make roadshows with in the different countries.		[…] it already became much more structured. I believe in the area of market entries, previously people just approached us and said: "I'm from Italy and I want to sell your product". Now, we actively search and compare, at least from my point of view.

	product portfolio, the development of new products and where we try to get an early feeling for how well or bad this might work in the different markets or which requests particular countries might raise. […] And then, two times a year, there's a meeting where we place more focus on the sales and marketing side and where we clearly focus on sales topics, on pricing, brand development, marketing activities, […]. This means we even say: "Ok, dear distributor from Northern European country A, please tell me what works well in your market or how you managed to make the brand known in the market. Like this, the distributors from Central European countries A and B can also learn. […] as I said, you have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. It is a total success model.				
Prior startup internationali-zation experience(1)	[A key hurdle] probably is the 'know-how' in the company how to handle the foreign business properly. So everything regarding the foreign business in general, how that works […].			We don't have somebody here who actually learned this [the export] or who is specialized on it. And I guess that if we want to do additional steps, enter additional countries and become larger, this will really become difficult, we have to do a lot there.	
Complexity aversion <u>Rating: ML (mixed)</u> Dave: L Dan: ML Derek MH Daniela - Daren: MH	I wouldn't have expected that no problems occur at all. So, I would (…) definitely advice companies in our industry to internationalize pretty fast. But consciously. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody.	Ok, I mean we of course thought about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors and since we produce in Asia. I mean, if the containers that are anyhow sent from there all arrive in Germany or if some of them are sent to Northern European country A doesn't make a difference to us.	But from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react.		Personally, I think it [the high internationalization pace] has a more negative touch […] Since I sometimes have the feeling that I am working to fast, which might have the effect that the quality suffers.
Venture (intl.) performance(2)	So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and	Ok, I mean we of course though about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors and since we produce in Asia. I mean, if the containers that are anyhow sent from there all arrive in Germany or if some of them are sent to Northern	But from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react. […] I guess a solid research for various countries probably could have made things		These replacements of distributors could have been avoided.

	understand the markets a little bit […]. […] as I said, you have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. It is a total success model. *[The focus] changed in the way that it was initially more on the planning side related to increasing sales and thus on finding international partners. Now it is more on the support side and on the further scaling of the countries that we already entered.*	European country A doesn't make a difference to us.	a bit easier. Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here. [The objective] basically is working more efficiently, allocating the time more usefully, raising the quality level, putting it all on a broader human resource basis and thus making it more sustainable […].		
Feedback effect on PES and complexity <u>Rating: P (mixed)</u> Dave: P Dan: P Derek N Daniela - Daren: -	In total, based on the given resource bottlenecks etc., I am actually very satisfied […]. So, I would (…) definitely advice companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market opportunistically since you would simply burn too much ground. In small markets or in Europe, this works. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit […]. That's the plan for the next three to five years […]. But there we also selected eight countries for the next years, where we say that this is now the area of focus […]. I mean it is more a plan of action. We don't want to enter all countries in parallel without having the weapons ((laughing)) to be really successful. So we definitely want to continue expanding.	Ok, I mean we of course thought about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors and since we produce in Asia. I mean, if the containers that are anyhow sent from there all arrive in Germany or if some of them are sent to Northern European country A doesn't make a difference to us. There was one country, American country A, where we thought about entering the market but stepped back due to this reason [a lack of resources] until now. That would be so complex. *Interviewer: But you for example did not search for extra financing for the internationalization?* Dan: No, not for now. But later, in case we wanted to continue, we would probably need it though.	Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think.		

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 7: Within-case analysis - venture F4
Source: Own illustration

4.6 The case of F5

Case description

As illustrated in Figure 12, Erik (CEO) and Eddy (CTO) founded the venture F5 in 2006. The venture is developing, manufacturing and selling industrial machinery. Interviews were held with both founders as well as with Elias, who joined the team in 2009 as Head of International Sales. F5 entered its first international market in 2007 and then continuously proceeded with its internationalization. At the time of the interviews, the venture was present in 11 to 15 foreign countries in three regions and was able to generate an international sales share of 21 to 40 percent.

Key facts	• Foundation:	2006
	• Employees:	11 – 20 (2012)
Industry & business model	• Industry:	Industrial goods
	• Business model:	Development, manufacturing and sales of industrial machinery
Team	• Founders:	Erik (CEO) Eddy (CTO)
	• Key employee(s) interviewed:	Elias (Head of International Sales)
International footprint	• First international entry:	2007
	• Number of countries:	11 – 15
	• Regions:	Americas, Asia, Europe
	• International sales (%):	21 – 40 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 12: Case description - venture F5
Source: Own illustration

Within-case analysis

Having entered its first foreign market in 2007, the venture expanded internationally at a high average *PES* of 8 countries per year.

As all interviewees underlined, the fast-pace international expansion resulted in a relatively high degree of *complexity* the venture faced (cf. Table 8). With regard to the *internationalization process related complexity*, Eddy emphasized that “true hurdles” (l. 196-197) are resulting from “the differing legislation” (l. 197) and cultural particularities such as “different mentalities” (l. 198). Erik stated that “in Asia, and basically everywhere else as well, we are facing network problems” (l. 296) and he added that getting access to these local networks is a prerequisite for sale but also a major challenge, driving the complexity of each new entry. Revealing *organization related complexity*, Eddy stated that the fast international expansion made F5 struggle with “how to organize everything [the sales]” (l. 247), with process-challenges such as how to assure the “knowledge transfer” (l. 248) and an overall “effort [which] is increasing massively” (l. 248). Finally, all interviewees pointed towards *partnering related complexity* associated with each (additional) international market entry. Both Erik and Adam underlined that “[t]he biggest hurdle is finding the right partner” (Erik, l. 898) and Eddy added that qualifying and training these partners is a time-consuming, challenging task.

Despite facing this high level of internationalization related complexity, F5 developed an overall comparably low level of specific capabilities for handling these challenges. First, F5 according to the interviewees formed moderately strong *internationalization process capabilities*. As Erik stated, the venture already defined first focus countries in its initial business plan. However, both Eddy and Elias revealed that the market selection was relatively opportunistic since “as a small company, you of course take every sales opportunity you get” (Elias, l. 374-375). But, as Elias added, the team learned that these opportunistic entries drove complexity and thus began to approach the market selection more systematic, “start[ed] getting active in the business development field” (l. 372) and began to select markets based on the “potential for later” (l. 374). Erik confirmed the shift towards a more systematic approach and added that they now furthermore intend to rework their “roadmap for the expansion in the Tiger states” (l. 1209-1210). The entry process according to Eddy also was a challenge for F5. As he exemplified, they “first had to find out what the markets actually want” (l. 249-250). In the same vein, Erik stated that the venture tried entering Asian countries directly but had to pull back based on the learning that this “doesn’t make any sense for us from a cultural, financial or networking perspective” (l. 580) and thus sought advice from national and international support programs as well as from a consulting agency. Press research confirms this fact. On its company webpage, the firm lists F5 as a reference in the competence area of helping firms who failed entering a specific market (web_02).

Secondly, despite struggling with the internationalization related complexity, F5 formed surprisingly low *organizational adaptation capabilities.* As Eddy revealed, the fast international expansion made the venture struggle with both the organizational structure, or “how to organize everything” (l. 247), and with its organizational processes such as “how we should handle the so-called knowledge transfer” (l. 248-249). Only very few and mostly highly specific improvements such as adaptations in a particular detail of the sales process mentioned by Erik were observable. The only major adaptation was the hiring of Head of

International Sales Elias, who became “responsible for the global sales” (l. 20-21). But, as Erik underlined, business development remained “the job of the CEO” (l. 396).

Thirdly, as all interviewees revealed, F5 did not develop strong *capabilities to leverage its external supporters* yet. Although the venture had several investors and already prepared its fourth financing round at the time of the interviews, they according to both founders did not manage to gain significant non-financial support from its investors. On the contrary, Eddy and Erik both criticized the limited value-added the investors were able to provide. Eddy stated that the investors were only monitoring the business plan but could not support the venture in the internationalization since “[t]hey don’t have the manpower and they don’t have the expertise for it” (l. 624). In the same vein, Erik underlined that the investors mainly created “an ongoing planning pressure” (l. 165) but that they could not fulfill their “consulting and coaching function” (l. 883-884) due to a lack of competences. As he stated, the investor “once implemented one successful concept in one particular market 20 years ago. […] You of course get advice, and you also get it vigorously, but you at some point have to realize that you are living in different times now” (l. 885-889). Erik even added that “[y]ou won’t win a teacup with a strategy from the early or mid-nineties in the year 2012” (l. 891-892). However, as Eddy revealed, the venture would like to receive more help from external supporters and is thus considering a more strategic investor for its next financing rounds: “That also is the discussion for the current financing round. Do we want a strategic investor or a financial investor? And a strategic investor […] it would of course be interesting to do more marketing and sales via his network” (l. 626-630). Erik added that the venture moreover started to seek external support from public support programs such as Go International or EU Gateway. Interestingly, press research revealed that F5’s main investor is locally oriented and claims his mission is to foster the regional development (web_16). This substantiates the statements by both founders regarding the low value-added the investor could offer for the international expansion.

Fourthly, F5 formed comparably low *capabilities to leverage its foreign distributors*. As Erik stated, the venture initially considered entering markets directly but realized it needs distribution partners “with the according contacts and access” (l. 298) and “the exact market knowledge” (l. 300-301) to get access to foreign markets. Despite this learning, both Erik and Elias admitted that F5 did not select its partners systematically. Experiments with different types of partners and the selection of the wrong partners according to Erik resulted in an increasing negligence of these markets and, as Eddy added, ultimately triggered replacements:

“[W]e broke up with him [the distributor in Asian country A], are now looking for other partners and are placing more focus on it” (l. 540-541). Field notes documenting that the initial interviews had to be rescheduled due to a major issue with a distributor corroborate these findings.

In addition, the company seemed to involve and thus leverage its distributors to a very limited degree. According to the interviewees, F5 did not receive sufficient market feedback (Eddy) and was forced to take over local project implementations (Eddy) as well as local marketing activities such as fairs since “the partner for the Asian country A, who would actually has been in charge of the local fairs, neglected this” (Erik, l. 624-626). However, as Erik revealed, the low leverage is partially explained by the limited empowerment of these partners: “The problem we or I see when you only delegate this [local marketing] to the partner is how to assure the CI and the consistency in the external appearance” (l. 627-629). Elias confirmed this impression, stating that the venture still takes over typical distributor tasks: “We will continue doing the installation and the initial operation” (l. 254). Eddy even admitted that the distributors were not enabled to do aforementioned project implementation and would first need to be trained. Nevertheless, first learnings and (planned) improvements could also be observed in the interviews. With regard to the partner selection, Elias underlined that they recognized the importance of an enhanced screening, stating that this “has to become an excellent screening in order to identify the right people” (l. 552-553). Erik added that “we really had a learning curve there” (l. 898-899) and that they already decided on the preferred type of distributor. Eddy even mentioned that the venture started testing several alternative distributors per country in parallel before “we will talk about contracts again” (l. 311).With regard to the improved involvement, Elias revealed that he was aware of the need for an improved training of the distributors when stating that “the people should actually have to come to for a really intense training” (l. 553-554).

In total, F5, thus achieved a relatively low overall capability level despite facing a high complexity resultant from the fast international expansion. As the data revealed, two entrepreneurial team level factors (partially) explain this unexpected pattern. Firstly, the entrepreneurial team had no *prior startup internationalization experience,* and thus the venture could not build on extant knowledge in this area. Erik for example revealed that the lack of experience resulted in uncertainty with regard to the internationalization process and in need for support in this area when stating: “[I]f you want to export something in Germany and haven’t done this before, there is nobody who tells you what to do” (l. 1220-1221). Erik even added that he feels left alone with respect to the internationalization and specifically with regard to the export activities in Germany. Secondly, the very high *complexity aversion* revealed by all interviewees clearly impeded the capability formation. Both Erik and Eddy emphasized the ‘problems' of the international expansion and the major hurdles they had to deal with several times in the interviews. Erik for example mentioned that “network problems” (l. 296) and hurdles such as the lack of market knowledge, made the market entry a complex challenge. He added that “[t]he biggest hurdle is finding the right partner” (l. 898) and that the “problem is that in Germany you are always left alone for the internationalization and especially for exporting” (l. 899-900). Eddy added that major internationalization related problems are “how to organize everything [the sales], that the effort is increasing massively” (l. 247-248). Exemplifying the impeding impact of the ‘problem focus‘, Erik stated that the venture even discussed “the idea to initially focus on Germany with […] our investors” (l. 830-831) to avoid being overburdened by the complexity. Interestingly, the interviewees seem to be aware of the problem focus and its negative consequences for the development of F5. As Erik conceded “I could sometimes climb up walls how fast engineers, and I am one of them myself, start turning problems over in their mind” (l. 740-741).

The overall relatively low capability level resultant (among others) from the inexistent prior experience and the high complexity aversion of the entrepreneurial team also seems to explain why F5 only showed a comparably low *venture performance*. Despite having internationalized at PES rate of 8 countries per year, the venture achieved a comparably moderate international sales growth of 20% per year. The impeding impact of the relatively low capability level on performance is well-observable in the interviews. Erik exemplified that the venture struggled with finding distributors and that opportunistic selections resulted in expensive replacements. Eddy added that the low organizational capability and more specifically the challenges of “how to organize everything [the sales]” (l. 257) and how to deal with process challenges such as the “knowledge transfer” (l. 258) were growth-constraining and drove inefficiencies. Finally, Eddy revealed the negative impact of the relatively low internationalization process capabilities on the potential performance benefits, stating that the venture “first had to find out what the markets actually want” (l. 249-250). However, the interviews also pointed out positive performance consequences resultant from learnings and (partially planned) improvements in specific areas. For example, the venture according to Erik learned that entering markets using distributors is more efficient than the direct entry approach initially considered. In addition, Erik pointed out that some processes got more structured and “more detailed” (l. 1096), which also results in efficiency gains.

Referring to improvements in the internationalization process capabilities, Elias stated that the venture improved the evaluation of countries and is now including factors such as “the potential for later” (l. 374) in the analysis, which will reduce the likelihood of additional expensive exits. Erik even mentioned that the venture started to develop a “roadmap for the expansion into the Tiger states” (l. 1209-1210) to further foster growth.

Finally, the constraining impact of the relatively low overall capability level on additional market entries, or the negative *feedback effect* on the subsequent PES and the resultant complexity, was revealed in the interviews. With regard to the internationalization process capabilities, Erik emphasized that F5’s struggle with finding distribution partners for new countries is “the biggest hurdle” (l. 898) for the international expansion and thus for subsequent entries. The lack of “exact market knowledge” (l. 300-301) and of “a well-developed network” (l. 301) in potential target markets are further hurdles for an intensified future expansion mentioned by Erik. In addition, the impeding impact of the limited organizational adaptation capabilities was observable. As Erik stated, business development is still exclusively “the job of the CEO” (l. 396), which clearly limits the focus the venture can place on identifying and analyzing new markets. Nevertheless, the positive impact of capability improvements was also visible. For example, process adaptations such as the improvement of the “requirements analysis” (l. 1096), that is the enhanced screening of potential distributors mentioned by Erik, and the (planned) intensified engagement in business development activities mentioned by Elias should ease subsequent entries and thus strengthen the subsequent PES.

In conclusion, F5 expanded at a high PES rate and faced considerable complexity resultant from this fast expansion. Interestingly, the venture formed the specific capabilities that ease handling this complexity to a comparably low degree. While their internationalization process capabilities were on a moderate level, the organizational adaptation capabilities, the capabilities to leverage external supporters and the capabilities to leverage foreign distributors were all developed to a relatively low degree. This overall low capability level is (partially) explained by the inexistent prior startup internationalization experience and, even more, by the clearly high complexity aversion of the entrepreneurial team. The insufficiently developed capabilities resulted in inefficiencies and growth constraints and consequently did not allow F5 to capture the full performance benefits from its international expansion. In addition, the comparably lower capability level made new entries a complex endeavor and thus had a negative feedback effect on the subsequent international expansion of the venture.

Variable	Erik (CEO)	Eddy (CTO)	Elias (Head of International Sales)
Complexity <u>Rating: MH</u> *Erik: MH* *Eddy: MH* *Elias: MH*	Yes, in Asia, and basically everywhere else as well, we are facing network problems. I mean this network focus in fact not only is an Asian phenomenon and you therefore need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. The biggest hurdle is finding the right partner. And we really had a learning curve there.	The true hurdles emerge in Asia and American country A due to the differing legislation. And obviously also due to the different mentalities. Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. The partner first has to be enabled to understand our system and to explain it to the customer, and to handle the demo system that we sent him as an operator of the demonstration. And then he should be enabled to maintain the systems and to take over the service […].	That [the largest hurdle] is the sales and service network, i.e. the representatives for the continents or countries. We definitely had some trouble finding the right representatives which are active in the market and capable of taking over the sales, which understand the technology and as a last step are also offering support and services.
Internationali-zation process capabilities <u>Rating: MH (ML)</u> *Erik: MH (ML)* *Eddy: MH (ML)* *Elias: MH (ML)*	The main objectives are the re-establishment of fixed sales structures in the four Asian core countries A, B, C and D and a roadmap for the expansion into the Tiger states, probably in the sequence of country E, F and then G. Outside of Europe, it doesn't make any sense for us from a cultural, financial or networking perspective to get active ourselves.	This [the market definition] was done as part of the strategy process for the whole company, where we thought about where our markets or customers are. […] They [the customers] also show up automatically during the fairs. Yes, we of course discussed […] how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want.	Yes, we now start getting active in the business development field. But you have to be really careful, since today everything seems to be interesting and great but you also have to verify the potential for later. And, as a small company, you of course take every sales opportunity you get […].
Organizational adaptation capabilities <u>Rating: L (L)</u> *Erik: L (L)* *Eddy: L (L)* *Elias: ML (-)*	For a company of our size, business development always is the job of the CEO. The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […].	Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. Well, we obviously had to add a few sales employees at some point in time, or rather had to restructure things so that engineers also provide parts of the offers.	I am responsible for the global sales, which is very internationally oriented. I take care of the representatives, take over some marketing tasks and, as a divisional director, am also involved in the management in the broadest sense
Capabilities to leverage external supporters <u>Rating: ML (ML)</u> *Erik: ML (ML)* *Eddy: ML (ML)* *Elias: - (-)*	You are done with one financing round and already have to think about the next one. And this obviously creates an ongoing planning pressure, which on the one hand is positive but also makes it impossible to get tranquility into certain processes. You get an advisory board, which of course has a consulting and coaching function. […] However, he once implemented one successful concept in one particular market 20 years ago. […] You of course get advice, and you also get it vigorously, but you at some point have to realize that you are living in different times now. […] You won't win a teacup with a strategy from the early or mid-nineties in the year 2012. But it's hard to convince somebody who was successful with it. The public support programs are of course helpful. There's the Bavarian Go International program. Then there are the state-subsidized trade show visits, the EU Gateway programs.	In there [in the advisory board], you obviously have the investor, who is supervising everything and who wants a business plan on a regular basis. But the investor doesn't actively influence […]. Actually, they can't do this. They don't have the manpower and they don't have the expertise for it. They are in so many different firms. Of course there are some investors that are more industry-specific. That also is the discussion for the current financing round. Do we want a strategic investor or a financial investor? And a strategic investor […] it would of course be interesting to do more marketing and sales via his network.	We have these meetings [with the advisory board] on a quarterly basis.
Capabilities to leverage foreign distributors <u>Rating: ML (ML)</u> *Erik: ML (ML)*	Yes, in Asia, and basically everywhere else as well, we are facing network problems. […] you thus need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup.	Normally, this [the implementation] should be taken over by the partner, but he would need to be trained accordingly. So we first intended to work with small mechanical engineering companies and also have tried this in Asian country A. By now we rather look for partners offering representation and service […]	We will continue doing the installation and the initial operation and step by step we will train the representations so that they can do this themselves locally. […] for me, there still is the objective of building a much denser network of representatives. This has to become an excellent screening in order to

Eddy: ML (ML) *Elias: ML (ML)*	This has changed insofar that the partner for the Asian country A, who would actually have been in charge of the local fairs, neglected this so that we had to switch to an own presence at the fair. […] The problem we or I see when you only delegate this to the partner is how to assure the CI and the consistency in the external appearance. The biggest hurdle is finding the right partner. And we really had a learning curve there.	Yes, we broke up with him [the distributor in Asian country A], are now looking for other partners and are placing more focus on it. Some already walk around without a concrete contract. They get a provision on which we agree individually. Then we check who really delivers – and then we will talk about contracts again.	identify the right people. But that's necessary. And the people should actually have to come to for a really intense training.
Prior startup internationali-zation experience(1)	We found out that if you want to export something in Germany and haven't done this before, there is nobody who tells you what to do. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting.	Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want.	
Complexity aversion <u>Rating: H</u> *Erik: H* *Eddy: H* *Elias: -*	Yes, in Asia, and basically everywhere else as well, we are facing network problems. The biggest hurdle is finding the right partner. The problem is that in Germany you are always left alone for the internationalization and especially for exporting. The problem we or I see when you only delegate this to the partner is how to assure the CI and the consistency in the external appearance. We discussed the idea to initially focus on Germany with our board of advisors and with our investors. But it is not feasible. I could sometimes climb up walls how fast engineers, and I am one of them myself, start turning problems over in their mind.	Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want.	
Venture (intl.) performance(2)	The biggest hurdle is finding the right partner. And we really had a learning curve there. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting. Outside of Europe, it doesn't make any sense for us from a cultural, financial or networking perspective to get active ourselves. The main objectives are the re-establishment of fixed sales structures in the four Asian core countries A, B, C and D and a roadmap for the expansion into the Tiger states, probably in the sequence of country E, F and then G. The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […].	Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want.	Yes, we now start getting active in the business development field. But you have to be really careful, since today everything seems to be interesting and great but you also have to verify the potential for later.
Feedback effect on PES and complexity <u>Rating: HN</u> *Erik: HN* *Eddy: -* *Elias: N*	The biggest hurdle is finding the right partner. And we really had a learning curve there. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting. For a company of our size, business development always is the job of the CEO. Yes, in Asia, and basically everywhere else as well, we are facing network problems. I mean this network focus in fact not only is an Asian		Yes, we now start getting active in the business development field. But you have to be really careful, since today everything seems to be interesting and great but you also have to verify the potential for later.

	phenomenon and you therefore need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […].		

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 8: Within-case analysis - venture F5
Source: Own illustration

4.7 The case of S1

Case description

As summarized in Figure 13, venture S1 was founded in 2008 by Fred. The venture is active in the service industry and is dedicated to offering specific marketing services to its clients. Interviews were conducted with founder Fred, with Frank, who joined S1 in 2011 as Managing Partner and with Francis, who joined the team in 2011 as Account Manager[33]. S1 started its international activities in 2010 and at the time of the interviews was already active in up to five European countries and created a share of international sales of (slightly) less than 20 percent.

Key facts	• Foundation: • Employees:	2008 11 – 20 (2012)
Industry & business model	• Industry: • Business model:	Services Agency for specific online marketing services
Team	• Founder(s): • Key employee(s) interviewed:	Fred (CEO) Frank (Managing Partner) Francis (Account Manager)
International footprint	• First international entry: • Number of countries: • Regions: • International sales (%):	2010 1 – 5 Europe ≤ 20 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 13: Case description - venture S1
Source: Own illustration

Within-case analysis

Starting the international expansion in 2010, S1 proceeded with the internationalization at a relatively low average *PES* of 1.6 countries per year.

The relatively slow internationalization pace resulted in a comparably low overall *complexity* level (cf. Table 9). S1 experienced some *internationalization related complexity* when trying to enter one country directly with an own subsidiary. As Fred stated: “[W]ith the own subsidiary in Northern European country A, we made the experience, that we did not think about legal and tax related questions enough in advance” (l. 498-499). Frank added that this entry mode also caused some *organization related complexity*, specifically communication

[33] Due to his more specific, operational role, Francis is only involved in strategic decisions to a very limited degree. Consequently, he could not comment on all areas of interest in this dissertation.

challenges: "[T]he disadvantage about Northern European country A is that, if people are not sitting in the same office, you experience much stronger centrifugal forces; you can't change or discuss things as fast" (l. 369-371). Apart from this, S1 only experienced minor internationalization related challenges such as "language barriers" (Fred, l. 232) and a sometimes insufficient level of coordination (Francis).

S1 also revealed an overall relatively low formation of specific internationalization related capabilities. First, the venture demonstrated relatively low *internationalization process capabilities*. As both Fred and Frank mentioned, the market selection initially was mainly opportunistic, but became a bit more structured over time. Fred stated: "It was not until Frank joined the team that we though well, as a matter of fact we want to internationalize. Then we started searching which ones are the largest e-commerce markets […]" (l. 427-429). Confirming Fred's statement, Frank added that they now started doing some basic research, but, as he added, "very pragmatic (…) a little bit of market research, checking which markets are attractive" (l. 402-403). As Fred revealed, the venture initially also struggled with the entry process, particularly with the potential step of "going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to" (l. 234-237). In the same vein, Frank stated that the high uncertainty how to proceed with the internationalization and the resultant high workload in processing the first entry even made the venture delay additional entries. According to Fred, the venture furthermore struggled considerably with the entry mode decision. As he stated, they tried entering one market directly but got overburdened by the "legal and tax related questions" (l. 499) and the resultant complexity, thus pulled out of the market and then started to test alternative entry modes such as partnering and a centralized internationalization (i.e. putting a country manager located in the headquarters in charge of the market). While Francis added that there is still no documented entry process, both Fred and Frank underlined that the venture has started to develop a checklist in order to systematize and ease future entries. As Fred stated: "It is not the ultimate blueprint yet, but actually, we are currently working on it and I believe that by the same time next year, we should be capable of taking a maximum of two months for the process from the initial thought about the entry into a new country until having completed the entry" (l. 408-411).

Secondly, S1 demonstrated relatively low *organizational adaptation capabilities*. As Fred revealed, the venture initially prepared the organization for the internationalization "simply not at all" (l. 396). Fred continued that "the main change was that Frank joined the team as a partner since I said we can’t internationalize without having additional experienced people on board” (l. 417-419). As both Fred and Frank revealed, the venture recently started implementing additional adaptations. According to Fred, they started “introducing intermediate levels” (l. 659) and for example hired a head of sales for the German-speaking region and a country manager for another country. Frank added that for one particular country, “we have a sales manager, who is sitting next door” (l. 361-362) and that another local person in charge of “technical integration in this country and in Northern European country B” (l. 364) will start soon. But as Francis underlined, the venture still clearly lacks organizational adaptations in other areas. He exemplified that “[t]here’s no central coordinator” (l. 336) and he continued that “[m]aybe that is a slightly negative aspect from my point of view. That you would need somebody who is coordinating everything from the top, so that everything works out well and that people don’t run around doing their own things like a swarm of insects” (l. 338-341). In addition, Francis mentioned that there are no clear structures yet and “there also are no true departments” (l. 349). In the same vein, Fred revealed that the organizational processes still need to be improved: “[W]e depend upon defining our processes more clearly” (l. 646). Frank confirmed, that for example meetings were scheduled mainly short notice and spontaneously; but he added that the venture already achieved process improvements in very specific fields such as scheduling of meetings.

Thirdly, S1 demonstrated very low *capabilities to leverage its external supporters*. According to Fred, the venture initially received financial support from a VC, which, however, did not support the venture in its internationalization ambitions and thus the relationship was ended. He stated: “We have a pretty unique business model, but it won’t always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently and this triggered the change of partners towards Frank by the way” (l. 398-401). As both Fred and Frank mentioned, the venture then decided not to seek external support again. Frank even revealed that a major reason for this reluctance was the unwillingness to have external control or influence when stating: “We wouldn’t have any problems […] finding investors […]. But we don’t want this since we prefer remaining self-determined instead of being determined by others” (l. 303-306). Fred added that they also did not have alternative “supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d” (l. 567-569) although, as he continued “we searched for it but couldn’t find it” (l. 569-570).

Fourthly, the venture showed relatively low *capabilities to leverage its foreign distributors*. As Fred stated, they initially tried several entry modes such as partnering and direct entry. For partnering, the partner selection according to Fred was reactive and opportunistic and the interaction very low. As he stated: “So we drove there for meetings with them two or three times, we showed them how everything works, we connected them to our system and then they immediately started off” (l. 268-270). Not surprisingly, the partnership failed. According to Frank, the venture then continued testing entry modes such as partnering: “[W]e are now testing this and are checking what the outcome is” (l. 368). Interestingly, Fred revealed that partnering was not a strategic choice, that the selection of the new partner was reactive again and that the cooperation was dominated by a trial and error approach: “[A]n agency approached us, no, they were recommended to us, and then we met them and they said we can also go one step further; we can also do contracts for you if you want. We are currently testing this. We try this now and see what happens; we also couldn’t find a local from Northern European country B in parallel” (l. 361-365). In the same vein, Fred underlined that he perceives the interaction with partners to be problematic, stating it is easier to control an own employee (e.g. a country manager) “since he is here and I can talk to him” (l. 374).

As the interviews revealed, the overall relatively low capability level of S1 is (among others) explained by the inexistent *prior startup internationalization experience* and the overall clearly high *complexity aversion* of the entrepreneurial team. The first factor, the lack of *prior startup internationalization experience* of the team and its negative impact on the (initial) capability level was revealed by both Frank and Fred. Frank stated that he “had no idea how this [the market entry] works, which contracts are required; and I mean, it really is all a huge task with all the tax legislation, registrations, HR and labor contracts, partner contracts, privacy policies, etc. You first have to get acquainted to this” (l. 283-286). Further underlining the importance of prior experience, he added that “you first have to make this experience” (l. 288) before being able to enter additional countries. In the same vein, Fred stated that they searched for supporters who could take “us by our hands and sa[y] the internationalization works like this” (l. 567-569) and he continued that “we searched for it but couldn’t find it” (l. 569-570). Fred even revealed the lack of experience and the resultant need to learn made the venture delay additional entries when stating: “We knew that we wanted to do it [additional entries], but we were uncertain how to” (l. 236-237). The second factor, the high *complexity aversion* of S1’ entrepreneurial team and its impeding impact on the capability formation process, was also revealed by both Fred and Frank. As both interviewees stated, the complexity and uncertainty stemming from the international expansion made the venture actively slow down the PES to avoid making errors. Fred stated that he initially decided on a slower internationalization approach since “if you start off too fast, you most likely will make mistakes” (l. 488) and in order to avoid “overstretch[ing] the organization” (l.802-803). Statements by Frank describing the overall internationalization approach confirm the complexity averseness revealed by Fred. For example, Frank stated that “outside of Europe we’ll have to see and have to be careful, that’s the plan” (l. 969) and he also mentioned “[t]his means not to lose track, not to cover too many topics at once, because if you can’t manage it any more, it will all go down the plughole, you realize that you don’t do things right” (l. 276-278).

As stated, S1 internationalized at a comparably slow PES rate. This partially explains why the venture achieved a low *venture performance* and for example could only generate an international sales growth of six percent per year from its internationalization activities. However, the interviews revealed that the limited performance benefits also seem to be explained by S1’s low overall capability level. Fred for example stated that the very low capabilities to leverage external supporters were particularly growth-constraining since the initial investor actively impeded S1’s internationalization ambitions by forcing him to “promis[e] that the German business won’t suffer” (l. 403-404) and consequently do the internationalization “in parallel” (l. 404).

Finally, both Fred and Frank revealed the constraining impact of F5’s low capability level on the continued international expansion and thus the clearly negative *feedback effect* on the subsequent PES and the resultant complexity. For example, both Fred and Frank underlined the limited internationalization process capabilities (among others) forced them to slow down the international expansion. As Fred stated, the uncertainty regarding the entry process approach was a decelerating factor: “[W]e then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to” (l. 234-237). Further underlining the impeding impact of this capability gap on additional entries, Fred added that the need to generate learnings regarding the entry process delayed subsequent entries: “[W]e are now looking at an additional country and are checking whether or not we are able to gain ground. And how well do we perform, which errors do we potentially make? And that’s why we took so much time between Northern European country A and B” (l. 330-334). Frank confirmed the delaying impact of the need to generate learnings when stating: “This was the counter argument against entering several countries at once, since we also wanted to gain experience” (l. 282-283). In addition, Fred revealed the constraining impact of the low capabilities to leverage external supporters when stating that the initial investor actively slowed down S1's internationalization ambitions: "We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently" (l. 398-400).

Summing up, S1 internationalized at a relatively slow PES rated and as a consequence also experienced a comparably low level of internationalization related complexity. As evident from the data, the venture furthermore showed a relatively low formation of the specific capabilities important for handling the internationalization related challenges. All four specific capabilities were on a relatively low (internationalization process capabilities, organizational adaptation capabilities, capabilities to leverage foreign partners) or even very low level (capabilities to leverage the external supporters). This is partially explained by the inexistent prior startup internationalization experience and the clearly high complexity aversion of S1's entrepreneurial team. The slow internationalization and the low capability level also seem to explain why S1 could only capture limited benefits from the international expansion. In addition, the low capability level was found to have negative consequences on S1's subsequent internationalization speed and the complexity resultant from additional entries.

Variable	Fred (CEO)	Frank (Managing Partner)	Francis (Account Manager)
Complexity <u>Rating: ML</u> *Fred: ML* *Frank: ML* *Francis: ML*	Yes, with the own subsidiary in Northern European country A, we made the experience, that we did not think about legal and tax related questions enough in advance. *[…] we wanted to have our own personnel there but we haven't thought about the tax related impact. Do we have to found a local entity? If we do, how does this actually work? […]*It all just happened little by little, so it was first driven by the market and then the legal and tax related aspects broke down on us. Complexity [was an internationalization hurdle]. We first started in Austria and Switzerland since no language barriers existed [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to.	I mean, the disadvantage about Northern European country A is that, if people are not sitting in the same office, you experience much stronger centrifugal forces; you can't change or discuss things as fast and also quality assurance etc. doesn't work.	Maybe that is a slightly negative aspect from my point of view. That you would need somebody who is coordinating everything from the top, so that everything works out well and that people don't run around doing their own things like a swarm of insects.
Internationali-zation process capabilities <u>Rating: ML (ML)</u> *Fred: ML (ML)* *Frank: ML (ML)* *Francis: ML (ML)*	It was not until Frank joined the team that we though well, as a matter of fact we want to internationalize. Then we started searching which ones are the largest e-commerce markets […]. […] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. […] by now we have a to-do list with things we need to check off when internationalizing. It is not the ultimate blueprint yet, but actually, we are currently working on it and I believe that by the same time next year, we should be capable of taking a maximum of two months for the process from the initial thought about the entry into a new country until having completed the entry. At least that's how I picture the future. I mean, we are now developing a blue print which we will then apply again and again […]. Yes, with the own subsidiary in Northern European country A, we made the experience, that we did not think about legal and tax related questions enough. […] It all just happened little by little, so it was first driven by the market and then the legal and tax related aspects broke down on us.	Well, what should I say (...) very pragmatic (...) a little bit of market research, checking which markets are attractive. And, well, then it started, you first have to analyze the market conditions, which players are present, is there any competition, so basically a small, pragmatic competitor analysis. We already wanted to enter Northern European country B much earlier, last year, when also entering European country A. But we then had to realize that this wouldn't work, that we were still struggling with too many topics in parallel. So on short notice we decided not to follow up for the moment since it wouldn't make sense tackling too many issues at once. *That [the market entry process] is something that we haven't worked out until recently and where we really want to have a much more standardized approach now.*	*Interviewer: Is there a standard process you apply when entering a new market? […]* Francis: Not as far as I know ((laughing)). I think it's more like "we want to enter this market, what do we need?"
Organizational adaptation capabilities <u>Rating: ML (L)</u> *Fred: ML (L)* *Frank: ML (-)* *Francis: L (L)*	[How we prepared] on an organizational level? […] Not at all, simply not at all. […] the main change was that Frank joined the team as a partner since I said we can't internationalize without having additional experienced people on board. I can't do this all myself. This was the most incisive event, which then triggered additional things […]. Well, we depend on introducing intermediate levels, we are currently doing this and we partially already did it. We have an IT director and an own sales director for Germany, Austria and Switzerland. And this won't be the last intermediate levels we apply. Yes, we depend upon defining our processes more clearly and upon thinking how to streamline the organization. The requirements for the employees are constantly increasing.	In Central European country A, we do this from here, we have a sales manager, who is sitting next door. He is from this country but is living here and has a German wife, which is perfect. On Monday, two other colleagues from the same country will start, one being in charge of technical integration in this country and in Northern European country B. Well, based on the internationalization and on the growth per se, we became much more structured, even in our appointments.	There's no central coordinator […]. Maybe that is a slightly negative aspect from my point of view. That you would need somebody who is coordinating everything from the top, so that everything works out well and that people don't run around doing their own things like a swarm of insects. […] there also are no true departments, there's a small department in the sales area that is now emerging since more sales people joined the team. But other than that (…).

	We are constantly working towards efficiency increases in the processes. Our maxim is having rather less than more personnel and we basically live this by hiring nobody unless it is totally necessary. And this causes us to constantly thing about efficiency increases.		
Capabilities to leverage external supporters <u>Rating: L (ML)</u> *Fred: L (ML)* *Frank: L (-)* *Francis: - (-)*	We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently and this triggered the change of partners towards Frank by the way. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel. […] there were no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d; we didn't have this. Which is surprising, since we searched for it, but couldn't find it.	[…] we are financing the expansion out of our own cash flow. We wouldn't have any problems […] finding investors […]. But we don't want this since we prefer remaining self-determined instead of being determined by others.	
Capabilities to leverage foreign distributors <u>Rating: ML (ML)</u> *Fred: ML (ML)* *Frank: ML (-)* *Francis: - (-)*	And they [the distributors] said we will take over the sales for you, this will cost you X per month and now let's get started. […] So we drove there for meetings with them two or three times, we showed them how everything works, we connected them to our system and then they immediately started off. We did Switzerland ourselves parallelly. The result is that by today we are very successful in Switzerland and not at all in Austria. One reason being that a lot of things went wrong since the cooperation with the agency was … […] an agency approached us, no, they were recommended to us, and then we met them and they said we can also go one step further; we can also do contracts for you if you want. We are currently testing this. We try this now and see what happens; we also couldn't find a local from Northern European country B in parallel. […] I can steer Fabio, who is in charge of Central European country B, more easily since he is here and I can talk to him. I can also talk to Finn [sales agent] from Northern European country B, but only via phone, which always makes a difference.	And in Northern European country B we have an external sales agent who is in charge of sales […] we are now testing this and are checking what the outcome is.	
Prior startup internationali-zation experience(1)	[…] there were no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d; we didn't have this. Which is surprising, since we searched for it, but couldn't find it. Complexity [was an internationalization hurdle]. We first started in Austria and Switzerland since no language barriers existed [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. […] the main change was that Frank joined the team as a partner since I said we can't internationalize without having additional experienced people on board. I can't do this all myself. This was the most incisive event, which then triggered additional things	This was a main argument against entering several countries directly, since we first wanted to gather experience. I mean, I have never founded a company in Northern European country A, I had no idea how this works, which contracts are required; and I mean, it really is all a huge task with all the tax legislation, registrations, HR and labor contracts, partner contracts, privacy policies, etc. You first have to get acquainted to this, I was never working as operatically before ((laughing)) and you first have to make this experience. Northern European country A is a huge market and we want to learn from there and go from there.	

Complexity aversion <u>Rating: H</u> *Fred: H* *Frank: H* *Francis: -*	[…] if we wanted to enter a huge amount of countries parallelly, we would have to think about financial resources. From my point of view this is not recommendable for two reasons. First, I don't want to overstretch the organization and second, I don't want to borrow outside capital. Since […] if you start off too fast, you most likely will make mistakes and you will make them parallelly, which makes it much harder revising things. Thus, one thing at a time […]. Doing everything in parallel is dangerous. As I said before, I don't want to overstretch the organization, and Frank doesn't want to do this either, so we are really careful there.	[…] outside of Europe we'll have to see and have to be careful, that's the plan. […] we are also focusing. This means not to lose track, not to cover too many topics at once, because if you can't manage it any more, it will all go down the plughole, you realize that you don't do things right. […] It doesn't make sense addressing too many topics parallelly. This was the counter argument against entering several countries at once, since we also wanted to gain experience.	
Venture (intl.) performance(2)	We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently and this triggered the change of partners towards Frank by the way. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel.		
Feedback effect on PES and complexity <u>Rating: HN</u> *Fred: HN* *Frank: N* *Francis: -*	Complexity [was an internationalization hurdle]. We first started in Austria and Switzerland since no language barriers existed [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. […] we are now looking at an additional country and are checking whether or not we are able to gain ground. And how well do we perform, which errors do we potentially make? And that's why we took so much time between Northern European country A and B. […] for some reason it all progressed much slower than anticipated. We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently […]. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel.	This means not to lose track, not to cover too many topics at once, because if you can't manage it any more, it will all go down the plughole, you realize that you don't do things right. […] This was the counter argument against entering several countries at once, since we also wanted to gain experience. *I mean, I have never founded a company in Northern European country A, I had no idea how this works, which contracts are required; and I mean, it really is all a huge task with all the tax legislation, registrations, HR and labor contracts, […] you first have to make this experience. Northern European country A is a huge market and we want to learn from there and go from there.*	

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 9: Within-case analysis - venture S1
Source: Own illustration

4.8 The case of S2

Case description

Venture S2 was founded in 2010 by Gary and his Co-Founder and sister Gale. The venture is designing and selling fashion items. Interviews were conducted with both founders and Gabi, who joined the team in 2012 as external employee in charge of the PR activities.[34] S2 entered its first international market in late 2010. At the time of the interviews, the venture was present in up to five Asian and European markets and yielded an international sales share of 21 to 40 percent. All facts are summarized in Figure 14.

Key facts	• Foundation: • Employees:	2010 1 – 5 (2012)
Industry & business model	• Industry: • Business model:	Fashion Design and sales of fashion items
Team	• Founder(s): • Key employee(s) interviewed:	Gary (CEO) Gale (Co-Founder) Gabi (External PR)
International footprint	• First international entry: • Number of countries: • Regions: • International sales (%):	2010 1 – 5 Asia, Europe 21 – 40 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 14: Case description - venture S2
Source: Own illustration

Within-case analysis

As stated above, S2 started its international expansion in late 2010 and proceeded with the internationalization at a relatively low *PES* of 1.5 countries per year.

Due to this relatively slow internationalization pace, the venture also experienced a comparably low level of related complexity (cf. Table 10). Gary and Gabi pointed out some *internationalization process related complexity* with regard to language barriers, which, as Gabi mentioned, even concern the brand name. In addition, both Gary and Gale mentioned *organization related complexity* in the form of challenges with the organizational processes. As Gary conceded: "[I]f you are an as young brand as we are, a lot of processes don't really work" (l. 215-216). Referring to *partnering related complexity*, Gale added that "the largest

[34] Due to her external and relatively specific, operational role, Gabi is only involved in strategic decisions to a very limited degree. Consequently, she could not comment on all areas of interest in this dissertation.

one [hurdle] is finding these distributors" (l. 702). Apart from this, the interviewees only referred to potential future fields of complexity such as customs and tariff-issues for specific markets.

Venture S2 also showed a very low overall level of the specific internationalization related capabilities. First, the interviews revealed that the *internationalization process capabilities* were very low. As all interviewees pointed out, the market selection process was (and still is) purely opportunistic and reactive. Gale described the approach as "we take whatever pops up opportunistically" (l. 352-353). Gary added that entries were driven by distributors approaching the company: "[A]broad, some firms also approached us directly" (l. 256-257). Gabi confirmed the opportunistic, reactive approach when stating: "We don't intrude ourselves, we want to be discovered […] it's not actively pushed" (l. 680-684). Improvements in the market selection process could not be observed in the interviews. The market entry process was also relatively unsystematic and, as Gabi stated, "really testing and experimenting" (l. 797). Underestimating the entry related challenges, S2 according to Gary initially tried entering countries directly but "first had to learn that we are struggling without distributors" (l. 961-962). As Gary furthermore revealed, they realized that they are lacking know-how regarding the specific markets and regarding the entry process and thus considers seeking advice from an external coach or consultant: "[E]specially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […] there we simply need know-how, independent know-how […]" (l. 428-434).

Secondly S2 revealed very low *organizational adaptation capabilities*. Although both Gary and Gale mentioned that the venture struggled with organizational issues and particularly process challenges, no significant adaptations could be observed. According to Gale, the only adaptation currently considered is the potential hiring of a PR employee for a specific foreign market.

Third, S2's *capabilities to leverage external supporters* were found to be very low. The venture was self-financed and also did not have any non-financial external supporters. Interestingly, Gale explicitly stated that the lack of financial support was a growth constraint and Gary admitted that they lack knowledge regarding international markets and how to approach these and that this knowledge gap could potentially be compensated by external supporters. Nevertheless, the venture deliberately did not try to attract external supporters yet. As Gale revealed, this is explained by the team's unwillingness to be influenced or controlled by these supporters: “On the pro side, you get a lot of cash at once, on the contra side, they want to have a lot of cash back at some point in time and the investors also want to have an influence (...) and up to now we are actually quite happy to be independent. I mean, the influence has its pros and cons again, you get a lot of valuable hints, but some investor also want to push you into a certain direction” (l. 501-506). Gabi even revealed a clearly negative attitude against investors: “I mean, I am not quite investor-friendly […] I am a big opponent of exit strategies, of companies that are just pushed in order to achieve an exit soon” (l. 1102-1109). However, Gary also mentioned that the venture was now considering seeking advice from an external consultant to address aforementioned knowledge gaps and Gale added that they were also discussing whether or not to approach an investor.

Fourth, S2 revealed very low *capabilities to leverage its foreign distributors*. According to Gary, the venture initially tried entering markets directly but realized that “we have to get away from the direct approach, simply because it is not effective enough” (l. 362-363), that “you really need somebody in the market to get a grip on it” (l. 537) and that they consequently need a distributor “who really knows the market” (l. 365-366). Gabi confirmed this learning, stating that “due to the cultural differences, the objective for ideally every country should be […] finding a distributor” (l. 606-609). Nevertheless, both Gary and Gale revealed that the partner selection was mostly unsystematic and reactive. Although Gary admitted that “it is really hard to say how good or bad the partner is” (l. 541-542) after one or very few (often coincidental) encounters, and Gale confirmed that “the largest one [hurdle] is finding these distributors” (l. 702), Gary conceded that they still don’t do any additional inquiries for the (pre-) selection: “[Y]ou can’t invest money in order to (...) check or test this” (l. 543-544). In addition, S2’s interaction with and involvement of the distributors is highly limited. Gary stated that the venture does not visit its partners yet and that these distributors are exclusively in charge of selling. However, Gary also added that some adaptations such as a more intense involvement of the partners in marketing activities are aspired in a few years.

The interviews revealed that two entrepreneurial team level factors had a major influence on S2’s overall very low capability level. First, the inexistent *prior startup internationalization experience* of all team members (among others) resulted in a low initial level of the internationalization related capabilities since no knowledge transfer was possible. Gary revealed this lack of prior knowledge and its negative impact several times in the interviews, stating for example that the venture has “no idea” (l. 429) regarding specific markets and concluding that “we simply need know-how” (l. 434). In addition, Gary mentioned several learning experiences they had to go through due to knowledge gaps and the low initial capability level. For example he stated that "[i]n the meantime we learned we have to get away from the direct approach" (l. 362-363) and that they "first had to learn that we are struggling without distributors" (l. 961-962).

Second, the clearly high *complexity aversion* of S2's entrepreneurial team seemed to constrain the capability formation process and the overall internationalization. Gary for example revealed a complexity-averse attitude when stating that "you really shouldn't approach too many things initially; it's better to first serve the markets you already have" (l. 219-220). Gale showed a similarly high complexity aversion, stating for example that "I first want to get my processes straight […] and when it works well, I can start burning my fingers in foreign markets, but not immediately burning all markets" (l. 344-347). In the same vein, Gabi added that she prefers a "slow, healthy growth" (l. 1114-1115) that "is developed with a long term orientation, a long term thinking, that proceeds cautiously and with small steps" (l. 1106-1107).

Overall, S2 achieved a relatively low *venture performance*, generating an international sales growth of 15 percent per year. While the moderate performance is partially explained by the comparably slow PES, the interview data revealed that the very low overall capability level also had a clearly negative impact on the ability to translate the international expansion into performance gains. As Gale exemplified, the very low capabilities to leverage external supporters were particularly performance-constraining since it limited the growth potential and venture's ability to close gaps in the internationalization knowledge. Gabi pointed out the negative performance impact of the low internationalization process capabilities, and specifically of the unsystematic entry process when stating that "we are really testing and experimenting on a very costly level" (l. 797-798). Referring to the very low organizational adaptation capabilities, Gary admitted that "a lot of processes don't really work" (l. 216) and that these process issues drove inefficiencies and, as he continued, inhibited the growth potential: "[The process] has to work before you can deliver certain quantities or products to other markets" (l. 217-219). Gary furthermore added that S2's low capabilities to leverage foreign distributors and specifically the initial decision to enter countries directly constraint the growth potential and caused inefficiencies: "In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough" (l. 362-363).

Finally, S2's very low overall capability level had a clearly negative *feedback effect* on the subsequent PES and the resultant complexity. As Gary exemplified, the low internationalization process capabilities forced the team to "focus on the markets […] where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe" (l. 162-165) which inhibited additional entries. Gale added that the low capabilities to leverage foreign distributors, and more specifically the limited abilities to identify new distributors, are a clear constraint for additional entries and thus a higher PES: "In fact, the largest one [hurdle] is finding these distributors" (l. 702). Gabi confirmed this issue and added that partners would be particularly helpful for easing the market entry and thus the continued expansion: "[I]t would make sense to identify additional sales agencies […] finding distributors for every country that are actively supporting the entry in the respective country" (l. 1253-1257).

To conclude, S2 proceeded with its internationalization at a comparably slow PES and thus only experienced a relatively low degree of resultant complexity. As the interviews revealed, the venture showed a very low capability formation intensity and only achieved a very low level for all four internationalization related capabilities. While S2's low initial capability level can partially be explained by the inexistent prior startup internationalization experience of the entrepreneurial team, the overall very high complexity aversion of the team impeded a more intense capability formation process. The data furthermore revealed that S2 only achieved a relatively low performance benefit from the international expansion, which was not only caused by the comparably slow international expansion, but also by the low capability level which drove inefficiencies and constraint growth. Finally, S2's low capability level also seemed to have a clearly negative impact on the ability to proceed with the subsequent internationalization at a higher PES rate and on the complexity resultant from additional entries.

Variable	Gary (CEO)	Gale (Co Founder)	Gabi (PR)
Complexity <u>Rating: L</u> *Gary: L* *Gale: ML* *Gabi: L*	We also underestimated that you indeed do not get along with English in some markets […] we actually underestimated, that you really need to know the local language to get a grip on the market. […] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets. […] as soon as you are outside of Europe, e.g. in American country A or Asian country B, you are immediately facing problems with customs, with importing, I mean you aren't present in the market, you can't just contact shops opportunistically […] but you really have to prepare a lot more.	In fact, the largest one [hurdle] is finding these distributors, yes, this was the largest hurdle, other than that (...) PR. There are some issues related to customs, etc., I mean if you e.g. want to export things to American country B, you have to pay ridiculous tariffs, which makes everything really expensive, and, well, then there's sales and PR […]. [An argument against the internationalization was] that you might say I first want to get my processes straight and establish myself in my home country, where I know the people, how things work […]	If I want to be successful with an online shop in Central European country A, it has to be in the local language […]. In European country B our brand name is very problematic, since it is a bad word in a literal translation […].
Internationali-zation process capabilities <u>Rating: L (L)</u> *Gary: L (L)* *Gale: L (L)* *Gabi: L (L)*	[…] abroad, some firms also approached us directly. For example in Northern European country A, they called us and said "hey, we'd like to sell your product" and I was like "Great, it's cold in your country, you need our product". […] we also have to focus on the markets where we are present right now, e.g. the German, Austrian or the Western European market, where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe. […] for the BSB business we already had some shops abroad but we first had to learn that we are struggling without distributors. We underestimated this, and we are now catching up. […] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough. If we enter a new market; we either need a sales agent or a distributor who really knows the market […]. […] especially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […] there we simply need know-how, independent know-how […].	Our primary focus is on Germany, but we of course won't miss out any opportunity that arises […]. Pretty soon, a guy from Asian country B approached us, who by now became a power seller and we supported him in this development. I mean, we take whatever pops up opportunistically […]. I mean, the process actually always is finding a sales agency that is a good fit and that represents what we want to represent. And then we want to start the PR in this country more intensely, and then we kick it off.	[…] we don't say let's now approach this market and then we invest al lot of money or let's work with this agency […]. We don't intrude ourselves, we want to be discovered […] it's not actively pushed they [the countries] will be defined again by our CEO but it's not an explicit thing yet. […] especially for more complex markets such as Central European country A, where you simply have to be present in the market, we are really testing and experimenting on a very costly level
Organizational adaptation capabilities <u>Rating: L (L)</u> *Gary: L (L)* *Gale: L (L)* *Gabi: - (-)*	[…] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets.	[…] the only thing is the PR, where Gabi currently has a focus on Germany. Here we would need somebody to cover the American country A – or she must do it.	
Capabilities to leverage external supporters <u>Rating: L (L)</u>	*Interviewer: Do you have any external supporters for the internationalization?* Gary: No. […] especially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […]	[…] well, the collection size is definitely minimized by our financial means. […] it [the external financing] has both pros and cons. On the pro side, you get a lot of cash at once, on the contra side, they want to have a lot of cash back at some point in time and the investors also want to have	[…] I mean, I am not quite investor-friendly ((interviewer is laughing)) I always support a long term orientation, not an exit focus […] a company that is developed with a long term orientation, a long term thinking, that proceeds cautiously and with small steps obviously is not as investor-friendly, it rather results in a sustainable concept. And I am a big

Gary: L (L) *Gale: L (L)* *Gabi: L (L)*	there we simply need know-how, independent know-how […].	an influence (...) and up to now we are actually quite happy to be independent. I mean, the influence has its pros and cons again, you get a lot of valuable hints, but some investor also want to push you into a certain direction […].	opponent of exit strategies, of companies that are just pushed in order to achieve an exit soon.
Capabilities to leverage foreign distributors Rating: L (L) *Gary: L (L)* *Gale: L (L)* *Gabi: L (L)*	[…] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough. If we enter a new market; we either need a sales agent or a distributor who really knows the market […]. One learning from the internationalization is, that you really need somebody in the market to get a grip on it, I mean you are really struggling if you enter as an external […]. […] I mean, you don't know them [the partners], you might have met them or seen them a couple of times at some fairs but it is really hard to say how good or bad the partner is. Especially for a company of our size, you can't invest money in order to (...) check or test this […]. For distributors, we deliver our products to them, they […] are responsible for the market, simply have to make sure they are selling our products since they have the inventory risk. […] we can ship [the products] directly from Eastern European country A, where we produce, to the distributors, which means we can increase our production capacity with little effort […].	I mean, the process actually is finding a sales agency that is a good fit and that represents what we want to represent. And then we want to start the PR in this country more intensely, and then we kick it off. In fact, the largest one [hurdle] is finding these distributors […].	[…] due to the cultural differences, the objective for ideally every country should be […] finding a distributor or a trade agency. […] it would make sense to identify additional sales agencies […] finding distributors for every country that are actively supporting the entry in the respective country, and only then getting deeper and more intensely into the market.
Prior startup internationali-zation experience(1)	[…] especially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […] there we simply need know-how […]. […] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough. […] for the BSB business we already had some shops abroad but we first had to learn that we are struggling without distributors. We underestimated this […].		
Complexity aversion Rating: H *Gary: H* *Gale: H* *Gabi: H*	[…] as soon as you are outside of Europe, e.g. in American country A or Asian country B, you are immediately facing problems with customs, with importing […] you really have to build the business very slowly […]. It is way more complicated. […] if you are an as young brand as we are, a lot of processes don't really work. […] I mean, you really shouldn't approach too many things initially; it's better to first serve the markets you already have […].	Hm, that you might say I first want to get my processes straight […] and when it works well, I can start burning my fingers in foreign markets, but not immediately burning all markets, that was the counter argument. […] finding the balance between growth and stable processes really is a challenge, yes.	[…] you do have to decide on the markets. You approach this successively. […] I always support a long term orientation, not an exit focus […] a company that is developed with a long term orientation, a long term thinking, that proceeds cautiously and with small steps obviously is not as investor-friendly, it rather results in a sustainable concept. And I am a big opponent of exit strategies, of companies that are just pushed in order to achieve an exit soon. I am in favor of a slow, healthy growth, although this might not seem to be profitable enough for many people.
Venture (intl.) performance(2)	[…] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets.	[…] well, the collection size is definitely minimized by our financial means.	[…] especially for more complex markets such as Central European country A, where you simply have to be present in the market, we are really testing and experimenting on a very costly level(…).

	[…] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough.		
Feedback effect on PES and complexity <u>Rating: HN</u> *Gary: HN* *Gale: HN* *Gabi: HN*	[…] we also have to focus on the markets […] where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe.	In fact, the largest one [hurdle] is finding these distributors […].	[…] it would make sense to identify additional sales agencies […] finding distributors for every country that are actively supporting the entry in the respective country, and only then getting deeper and more intensely into the market.

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 10: Within-case analysis - venture S2
Source: Own illustration

4.9 The case of S3

Case description

As illustrated in Figure 15, Hardy founded venture S3 in 2006. The venture is active in the MedTech sector and is developing, manufacturing and selling medical devices to its customers. Interviews were conducted with founder Hardy and with Hans, who joined S3 in 2007 and is in charge of technical development and order management.[35] The venture started its international expansion in 2007 and already entered six to ten markets across three regions and generated an international sales share of 41 to 60 percent at the time of the interviews.

Key facts	• Foundation: • Employees:	2006 6 – 10 (2012)
Industry & business model	• Industry: • Business model:	MedTech Development, manufacturing and sales of medical devices
Team	• Founder(s): • Key employee(s) interviewed:	Hardy (CEO) Hans (Technical development and order management)
International footprint	• First international entry: • Number of countries: • Regions: • International sales (%):	2007 6 – 10 Americas, Asia, Europe 41 – 60 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 15: Case description - venture S3
Source: Own illustration

Within-case analysis

After its first foreign market entry in 2007, S3 proceeded with its international expansion at a relatively low average *PES* of 1.3 countries per year.

Due to its low PES, the venture also faced a relatively low level of *internationalization process related complexity* (cf. Table 11). As Hardy stated, the venture experienced minor internationalization process related complexity for example related to differing local payment habits. According to Hans, S3 also faced *organization related complexity* since “we are lacking automation in these processes” (l. 980). Finally, Hardy revealed *partnering related complexity* when stating that the venture “obviously would have preferred finding a global

[35] Due to his relatively specific, operational role, Hans is only involved in strategic decisions to a limited degree. Consequently, he could not comment on all areas of interest in this dissertation.

distributor" (l. 242), but could not find one and thus had to work with "many small locals [which] obviously is much more work" (l. 246).

As the data revealed, S3 formed the key capabilities for the fast internationalization to a relatively low degree. For the *internationalization process capabilities*, statements by both Hardy and Hans showed that S3 started from a low level and did not improve significantly. According to Hardy, the market selection was mostly opportunistic and without a systematic analysis – although an external investor proposed a more systematic approach: "He [the investor] initially came up with the strategy for the internationalization to segment customers into A, B and C […]. This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up" (l. 397-401). Hans confirmed that market entries mainly occur reactively and opportunistically based on distributors approaching the company. Referring to the few initial market assessment activities he even added that they "basically don't follow up on this" (l. 378). According to Hardy, the entry process also was a major challenge for S3. Trying to keep the complexity manageable, the firm initially intended to rely on one "global distributor" (l. 242) for the entry process but failed to find a partner and thus struggled considerably when trying to enter with "many small locals" (l. 246) instead.

Secondly, S3 revealed very low *organizational adaptation capabilities* and even some negative adaptations could be observed. As Hardy stated they initially had a "sales manager" (l. 443) and a "head of marketing" (l. 445) – but both left the company. Since both positions were not filled again and since only some support staff was hired, Hardy conceded that the insufficient organizational adaptations resulted in a clear bottleneck: "We reduced the staff and increased on distribution efforts. This obviously doesn't work in the long run" (l. 448-450). Exemplifying the negative impact of the insufficient adaptations, Hardy stated that "the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it" (l. 356-358). The bottleneck and its impeding effect are also confirmed by Hans, who stated that "we are simply not enough people to look into things [the internationalization process] more profoundly" (l. 368-369). Both Hardy and Hans also revealed that the venture furthermore struggled with organizational processes. Hans stated that "we are lacking automation in these processes. It's a lot of manual work, which of course takes much time" (l. 980-981). Hardy admitted that "[c]urrently, we are aware of it [process problems], but we haven't done it yet" (l. 1035-1036). Only very few and very specific process improvements such as the "classic initial validation of potential distribution partners" (Hardy, l. 1072-1073) could already be observed. Interestingly, field notes further underline the organizational issues. First, Hardy arrived late for the interview, then the interview had to be interrupted due to an emergent issue, and then the interviewer had to remind Hardy since he forgot about the second interview.

Thirdly, S3 revealed relatively low *capabilities to leverage its external supporters.* According to Hardy, the venture was financed by several private investors but did not receive additional financial support for its international expansion: “It [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside” (l. 618-619). Hardy added that they also did not receive valuable non-financial support. He complained that the investors were mainly putting pressure on the venture with respect to internationalizing earlier and faster as well as regarding the fulfillment of business plan targets and he added that the little support provided was not applicable: “Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C […]. This is the theory as imagined by a VC” (l. 395-401). Interestingly, Hardy was also very skeptical with respect to other external supporters such as consultants who, as he stated, “want to make money, but few of them were already in the local market, they just use their networks. So […] you are always ((hesitating)) getting similar information” (l. 761-764). In sum, a clearly negative attitude towards both extant investors and alternative supporters could be observed in the interviews, which seems to (partially) explain the low leverage of external supporters.

Fourthly, S3 revealed relatively low *capabilities to leverage its foreign distributors*. According to Hardy the venture initially intended to gain “a global distributor” (l. 242) to keep the complexity more manageable, but could not find one and thus had to “start with many small locals” (l. 246) which, as Hardy continued, “obviously is much more work” (l. 246). As both Hardy and Hans revealed these local distributors were selected highly opportunistic and, as Hans added, “many distributors we meet are approaching us directly” (l. 383-384). Both interviewees also stated that the interaction with and involvement of the distributors was very limited. Hans admitted that the venture did not manage to receive customer feedback or market learnings from its partners and Hardy added that “[w]e also do the marketing for our distributors” (l. 349-350). Interestingly, Hardy seemed to be aware of S3’s limited abilities to leverage its distributors and more specifically of the problems with selecting and involving its partners. He stated that “[f]inding a good distributor, who can cover as much as possible with a minimal effort from our side, is really much harder than I anticipated" (l. 717-719)., In the same vein he added that "the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point" (l. 356-358). However, despite the awareness, only few planned improvements could be observed. According to Hardy, they adapted the "initial validation of potential distribution partners" (l. 1072-1073) and now plan to select the partners more systematic "based on characteristics of the distributor, based on what he can do, how large he is, how long he exists, how well the interaction works" (l. 421-423). Hardy added that the venture now considers testing several distributors in parallel over six month and afterwards "one will get exclusivity" (l. 303). S3's overall comparably low capabilities to leverage its local distributors were also underlined by field notes. Aforementioned interruption of the interview with CEO Hardy was due to an urgent issue with one distributor, who according to Hardy has "one last chance" and will most likely have to be replaced.

In total, S3 thus demonstrated a relatively low level of key capabilities for the internationalization. Based on the interviews, this seems to be explained (among others) by two entrepreneurial team level factors: The inexistent *prior startup internationalization experience* and the overall high *complexity aversion* of the team. Hardy revealed the impact of the former factor on the interaction with and leverage of the external supporters, stating that "that's something you learn over time. As a young founder, you surrender to the investors much faster than you would if you had done this two or three times before" (l. 265-267). Hans added that the lack of experience also had an impact on operative challenges related to the internationalization: "[I]nitially you don't have any experience and over time, […] you get the handling" (l. 986-988). With regard to the latter factor, Hardy' statement on the complexity of finding and managing local distributors reveals a rather complexity-averse attitude: "[T]his really gets very complex at some point. You would need a manager for it" (l. 358). The high complexity aversion is further substantiated by a press interview, in which Hardy stated that he wouldn't have founded the company if he had been aware of the complexity associated with being an entrepreneur before (web_42).

S3 overall only achieved a low *venture performance* and for example could only generate an average international sales growth of ten percent per year. While this is partially explained by the comparably low international expansion speed, the interview data revealed that the low level of specific capabilities clearly inhibited S3's ability to capture the potential benefits from the international expansion and thus had a negative performance impact. As Hardy exemplified, S3's low capabilities to leverage external supporters inhibited the international growth and drove inefficiencies: “This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside” (l. 618-619). Hans added that the low organizational adaptation capabilities, and more specifically process issues and the lack of automation drove the inefficiency: “Consequently, we are lacking automation in these processes. It’s a lot of manual work, which of course takes much time” (l. 980-981).

Finally, the data uncovered that S3’s low overall level of internationalization related capabilities also had a negative *feedback effect* on the subsequent PES and the resultant complexity. Hardy gave several examples where the low capabilities to leverage foreign distributors impeded a faster international expansion. Pointing towards the hampering impact of dealing with many local partners instead of a global one, Hardy stated that the “question only is at which pace and with how much effort [should you internationalize]. We obviously would have preferred finding a global distributor who could offer a one stop service” (l. 241-243) and he continued that, since the venture could not find a global partner “you have to start with many small locals. It obviously is much more work” (l. 245-246). In the same vein, Hardy stated that the low ability to select and manage partners hindered a faster international expansion. He stated that “in all other countries, we probably won’t approach distributors actively” (l. 354-355) and he added that “the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point” (l. 356-358). Pointing towards a need for organizational adaptations, Hardy mentioned that one would need a manager for coordination these partners and Hans stated that the process inefficiencies “of course takes much time” (l. 981) and are thus an additional limiting factor for a faster expansion.

Summing up, S3 expanded internationally at a relatively low PES rate and consequently faced a comparably low resultant complexity level. The venture formed the specific internationalization related capabilities to a relatively low degree. According to the data, this low capability level is partially caused by the inexistent prior startup internationalization experience and the overall high complexity aversion of the entrepreneurial team. Both the slow PES and the relatively low capability level also seem to explain why S3 could only derive comparably low performance benefits from its international expansion. Finally, the relatively low capability level also seemed to have a negative feedback effect on the subsequent PES, that is on S3’s ability to proceed with the internationalization at a faster rate, and on the complexity resultant from additional entries.

Variable	Hardy (CEO)	Hans (Technical development and order management
Complexity <u>Rating: ML</u> *Hardy: ML* *Hans: ML*	Yes, every local market works differently. The European market probably still is the most foreseeable one, but the American market already works differently since they e.g. pay differently. We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that.	We are relatively small and young and we neither have the financial means nor the perspective what actually might come up in the future. Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time. You simply develop automatisms, manual automatisms to be able to handle everything […].
Internationali-zation process capabilities <u>Rating: ML (ML)</u> *Hardy: ML (ML)* *Hans: ML (ML)*	Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C. […] This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up. […] So, yes, theoretically we approached the markets based on size. But there's theory and practice. There is no way we can circumvent the internationalization. The question only is at which pace and with how much effort. We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. Everywhere, where we don't have a distributor, people can buy in the web shop. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.	For the moment I think, many distributors we meet are approaching us directly. For the moment, we basically don't follow up on this [analysis of the market potential To my best knowledge, there is none [a defined internationalization process]. But I guess that's exactly what I was trying to say before; we are simply not enough people to look into things more profoundly. Well, every contact [with a distributor] is a learning experience I would say.
Organizational adaptation capabilities <u>Rating: L (ML)</u> *Hardy: L (ML)* *Hans: L (L)*	[…] I of course also had a sales manager. […] Then I had a head of marketing, who also overreached himself and I now I don't have any of the two anymore. Guess on whose desk all these tasks are lying now. We reduced the staff and increased on distribution efforts. This obviously doesn't work in the long run. Well, I haven't hired anybody. We already briefly discussed the issues with the org chart. I don't have a product manager or a sales manager who is driving and looking around and is (…) no. Well, we of course have somebody in charge of organizing the sales stuff, i.e. somebody who is writing offers, who reworks things and who is handling the orders. […] And then I have an assistant, who helps with the communication with the distributors. […] But all the Q&A part, for example if a distributor says "I have a customer who has this question and that problem, can you do this and that", this all goes over my table. The problem simply is (…) it is me who had the idea, who founded the company, who works here for the longest time, who has the deepest expertise and is thus suited best for solving problems. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it. Yes, we of course tried optimizing the primary processes based on every contact and every communication with people […]. The classic initial validation of potential distribution partners has changed. Perspectively, it's just like that, the more manpower you have in order to coordinate things and pull the strings, the more sense it makes to address certain advancements that we should or have to do, such as the automation. […] Currently, we are aware of it, but we haven't done it yet.	But I guess that's exactly what I was trying to say before; we are simply not enough people to look into things [the internationalization process] more profoundly. Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time. You simply develop automatisms, manual automatisms to be able to handle everything […].
Capabilities to leverage external supporters <u>Rating: ML (ML)</u> *Hardy: ML (ML)* *Hans: - (-)*	This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside. There is no way we can circumvent the internationalization. The question only is at which pace and with how much effort. We obviously would have preferred finding a global distributor who could offer a one stop service. […] I can't really tell you whether it was the right timing. We probably would have waited a little bit longer if the investors hadn't pushed us as much. On the other side, you are obviously working and learning faster under	*Interviewer: Are the investors frequently involved? […]* Hans: I don't have anything to do with that.

	pressure. They [the investors] obviously wanted us to expand into the global markets as fast as possible […]. You already mentioned the nice word 'business plan'. […] That's the criterion I will be measured by – although it is actually obsolete by the time I printed it. But it's the reason for a financing, a financing with milestone payments. And if I want to get these payments but I actually am not ready to deliver the according milestones yet, the investor won't give me the money – so I try to deliver (….). I mean, that's something you learn over time. As a young founder, you surrender to the investors much faster than you would if you had done this two or three times before. Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C. […] This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up. Well, there are many consultants who want to make money, but few of them were already in the local market, they just use their networks. So, it's difficult. You talk to them, but you are always ((hesitating)) getting similar information.	
Capabilities to leverage foreign distributors <u>Rating: ML (ML)</u> *Hardy: ML (ML)* *Hans: L (-)*	We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. […] if, in the meantime, somebody from Asian country A or B or Northern European country A or B approached us, we did not tell him please show up again in half a year once we are done with the other markets, but we included him in parallel. We also do the marketing for our distributors. A, we do an own marketing and B, we provide them with all new things we are doing. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it. Finding a good distributor, who can cover as much as possible with a minimal effort from our side, is really much harder than I anticipated. The classic initial validation of potential distribution partners has changed. [The selection is done] Based on size of the markets, based on characteristics of the distributor, based on what he can do, how large he is, how long he exists, how well the interaction works. […] And as I said, then it's either exclusive or not. For exclusivity, he needs to give a binding forecast, which is pretty difficult. So most of the time we talk about a six months trial phase. This often means that we are searching for two or three people per region and we say you all get half a year at the same margins and then you can submit your offers. And then, let's say, one will get exclusivity.	For the moment I think, many distributors we meet are approaching us directly. So from our experience, errors are simply not reported. You don't get feedback for bad things.
Prior startup internationali-zation experience(1)	I mean, that's something you learn over time. As a young founder, you surrender to the investors much faster than you would if you had done this two or three times before.	So, initially you don't have any experience and over time, while sending things out, you get the handling […]. Well, every contact [with a distributor] is a learning experience I would say.
Complexity aversion <u>Rating: MH</u> *Hardy: MH* *Hans: -*	And I'd say that in all other countries, we probably won't approach distributors actively. If we find somebody who fits well, then maybe, but the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.	

Venture (intl.) performance(2)	This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside.	Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time.
Feedback effect on PES and complexity <u>Rating: HN</u> *Hardy: HN* *Hans: N*	The question only is at which pace and with how much effort [should you internationalize]. We obviously would have preferred finding a global distributor who could offer a one stop service. […] But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. And I'd say that in all other countries, we probably won't approach distributors actively. If we find somebody who fits well, then maybe, but the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.	Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time.

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 11: Within-case analysis - venture S3
Source: Own illustration

4.10 The case of S4

Case description

Venture S4 was founded in 2008 by Ian as an agency for specific services in the publishing business. Interviews were conducted with Ian (CEO) and Inga, who joined S4 in 2008 as a Content Manager and was promoted to Internationalization Manager in late 2012. The venture entered the first international market in 2008. At the time of the interviews, it was active in less than five international markets and generated a share of international sales of around 20 percent. All facts are summarized in Figure 16.

Key facts	• Foundation:	2008
	• Employees:	11 – 20 (2012)
Industry & business model	• Industry:	Services
	• Business model:	Agency for specific online services in publishing business
Team	• Founder(s):	Ian (CEO)
	• Key employee(s) interviewed:	Inga (Internationalization Manager)
International footprint	• First international entry:	2009
	• Number of countries:	1 – 5
	• Regions:	Europe
	• International sales (%):	≤ 20 %

Note: Facts and figures refer to time of the interview if not stated differently

Figure 16: Case description - venture S4
Source: Own illustration

Within-case analysis

Having entered its first foreign market in 2009, S4 proceeded with the international expansion at a very low average *PES* of 0.6 countries per year.

Due to the slow expansion speed, the venture also faced a low degree of related *complexity* (cf. Table 12). Both Ian and Inga pointed towards some *organization related complexity*. Ian stated that he has to manage “the additional complexity related to the organization and the additional coordination effort” (l. 570-571). Inga referred to issues in the communication processes triggered by the internationalization when stating “often the communication is the weak point” (l. 699). Apart from this, Ian only mentioned minor additional fields of complexity such as required product adaptations due to country particularities.

S4 also demonstrated a relatively low overall level of specific internationalization related capabilities. Firstly, their *internationalization process capabilities* were low. As Ian stated, the market selection initially "was totally opportunistic. Someone from Northern European Country A showed up since we grasped his attention" (l. 168-169). While Ian added that the venture then started to screen markets ("[a]n intern once did a project and screened the market" (l. 337-338)), Inga revealed that the selection process was still mainly opportunistic. Referring to the most recent market entry, she stated: "It could also have been an American country. […] And then we just said: "Let's try out Northern European country B!"" (l. 464-467). S4's market entry process was also very unsystematic and very pragmatic. Interestingly, both Inga and Ian stated that they consider this to be the right approach for a startup. Commenting on the entry process, Inga mentioned: "In a startup, you can't just make a big plan and implement it piece by piece, you simply get started" (l. 448-449). In the same vein, Ian stated that "[w]e have a culture of "let's get started" and we then go step by step" (l. 357-358). However, both interviewees also admitted that the unsystematic approach drove complexity and that adaptations are required. Ian stated that this approach now "gets complicated and difficult, I mean it basically creates a new dimension of complexity" (l. 361-362) and he concluded that "I would plan and communicate more clearly" (l. 356-357); and Inga conceded: "We can't just try out things here and there in a startup style anymore; we have to plan things now" (l. 490-491). As Inga added, the venture already started to address the learnings and systematize the internationalization process to some degree: "I sat down […] and wrote a road map, so which steps we'll do next. We are now trying to implement piece by piece if possible. And then, there are always new things coming up, we are learning continuously" (l. 492-496). But according to Ian they still need to generate a lot of learnings and "go step by step" (l. 469-470).

Secondly, S4 also demonstrated a relatively low level of *organizational adaptation capabilities*. Since initially, no internationalization related adaptations took place, the venture according to Ian is struggling with the "additional complexity related to the organization and the additional coordination effort" (l. 570-571). However, the increasing complexity seemed to trigger some learning since the data revealed that first adaptations are planned or were recently initiated. For example, Inga mentioned: "[I]n autumn we decided that I will be responsible for the internationalization of S4" (l. 25-26). As she added, "one of the biggest learnings" (l. 628-629) of the team was "[i]f you enter a foreign market, hire locals from that country" (l. 629). Consequently the team recently hired a local country manager as well as two additional international employees "in order to counterbalance the cultural differences" (Inga, l. 326). Ian added that they even started planning the adaptation of the overall structure towards a matrix organization. As both Ian and Inga mentioned, the team also started to improve the organizational processes. Ian for example stated that “we tried to introduce new alignment routines so to say” (l. 642) and that “[y]ou also have to set up new processes” (l. 643-644). Interestingly, a press article (web_05) published around six months after the interviews confirms that S4 implemented some of the planned adaptations mentioned in the interviews. According to the article, the venture hired a manager in charge of business development and promoted one employee to split responsibilities in the management board.

Thirdly, S4 revealed moderately high *capabilities to leverage its external supporters*. According to Ian, they received a strong financial support from one VC and several private investors. As he added, the VC also provided valuable non-financial support to the venture: “They [the VC] […] are offering let’s say infrastructure, which helps us networking and gaining experience. There are meetings, trainings and seminars on the different levels and different functional areas” (l. 501-503). However, Ian also admitted that the VC perceives himself to be a “network of entrepreneurs” (l. 518), that the ventures thus have to seek support very proactively and that he for example makes use of networking opportunities only very few times per year. Inga further relativized the non-financial support provided by the VC, stating that the team pushes the internationalization “all by ourselves” (l. 847) and that for example the only internationalization workshop offered is not “a training but rather a networking event” (l. 571-572). Concluding, Inga even mentioned that they “would really need more support in that area” (l. 572). Interestingly, a press article underlined the expertise the investor had in facilitating the internationalization (web_19), which further substantiates the perception that it is also S4’s moderate ability to make use of the support offered which is constraining the leverage.

Fourthly, S4 demonstrated very low *capabilities to leverage its foreign distribution partners*. As Ian stated, the partner selection “was purely opportunistic” (l. 172) and reactive and the interaction with the partner was “really, really limited. That’s a true problem there” (l. 376-377). In addition, the value-added provided by the distributor according to Ian was limited to sales and minor online marketing activities. Summarizing the overall leverage, Ian stated: “[T]here we have the advantage of an inexistent risk, but we pay it with the downside of having no lever whatsoever for letting the business grow” (l. 382-383). Interestingly, S4 according to Ian did not replace the partners or work on the cooperation and thus could not improve the leverage yet. On the contrary, based on the low leverage and the struggle with managing its distribution partners, the venture even decided to test an alternative entry mode for a subsequent entry.

According to the interview data, S4's relatively low overall capability level is partially explained by two entrepreneurial team level factors. Firstly, as both Ian and Inga revealed, the inexistent *prior startup internationalization experience* of the team members (among others) explains the low initial capability level. Inga pointed out that the team could not build on prior experience regarding the internationalization process and thus the first entries were a "test pilot" (l. 384) where they "really want to learn as much as possible and we try to see what we have to do better, what already works well and what doesn't" (l. 385-386). Confirming the need to generate learnings from the first international entries, Ian mentioned that the future path of internationalization "depends on what we learn in Northern European country B, how that works out" (l. 668-669). The second factor that emerged was the very cautious and overall comparably high *complexity aversion* of the entrepreneurial team, which seemed to constrain the capability formation process and the international expansion in general. As Ian stated, the team decided to "go one step after the other" (l. 769-770) to avoid being overburdened by complexity. Both Ian and Inga furthermore revealed that the venture intentionally slowed down the internationalization to create learnings and to keep the complexity manageable. As Ian summarized, they "basically approached this [the internationalization] very gradually" (l. 260-261).

Overall, S4 could only create a comparably low *venture performance* impact from its internationalization and for example only achieved an international sales growth of six percent per year. As the data revealed, this was not only caused by the low expansion speed. It was also explained by the relatively low capability level, which seemed to be a major constraint for S4's ability to capture potential performance benefits. As Ian exemplified, the low capabilities to leverage its foreign distributor were a clear growth hurdle: "With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […]. We really have no lever for letting the business grow" (l. 376-379).

Finally, S4's low overall capability level also seemed to have a clearly negative *feedback effect* on the subsequent PES and the resultant complexity. According to Ian, the low internationalization process capabilities had a particularly negative impact, forcing the venture to first generate learnings before being able to proceed with the international expansion at a higher pace: "Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other" (l. 767-770). Inga confirmed the negative impact of the need to learn and stated that they "definitely consider entering several countries” (l. 383-384) but that this decision is contingent upon the learnings created in the current markets where they have to “learn as much as possible and we try to see what we have to do better […]. And then we’ll think about the next markets” (l. 385-387).

Summing up, S4 expanded internationally at a very low PES and, as a consequence, only faced a comparably low level of complexity. The venture achieved an overall relatively low level of internationalization specific capabilities, which according to the data is partially due to the inexistent prior startup internationalization experience as well as the overall high complexity aversion of the entrepreneurial team. Not surprisingly, S4 generated a comparably low performance impact from the internationalization. Based on the data, this is not only caused by the low PES, but also by the negative impact of the low capability level on the ability to capture the potential benefits. Finally, the low capability level also seems to be a major constraint for a faster internationalization speed.

Variable	Ian (CEO)	Inga (Internationalization Manager)
Complexity <u>Rating: L</u> *Ian: L* *Inga: L*	Primarily it is (...) I have to try to manage the additional complexity related to the organization and the additional coordination effort. That certainly is one of the main topics […]. Due to the team size we now reached, this all of a sudden became the biggest pain point. I mean, obviously, now there's the trade-off between adapting the web page, e.g. in order to be able to process a local currency, and doing different things. Even from a technical point of view, it all gets more complicated than anticipated. There are operative adaptations such as the logistics or the selection of a distributor in Northern European Country A, where we chose the wrong partner.	[…] often the communication is the weak point, simply because you forget who is also impacted by certain things.
Internationali-zation process capabilities <u>Rating: ML (L)</u> *Ian: ML (L)* *Inga: ML (L)*	The first step was totally opportunistic. Someone from Northern European Country A showed up since we grasped his attention. An intern once did a project and screened the market. We obviously did that. So, let's say a basic estimation on the attractiveness of different markets, derived more or less systematic. In two weeks, we'll open up a mail box [in Northern European country B]. It's TBD whether we'll have people sitting there in the long run. We'll have to see. I would plan and communicate more clearly. We have a culture of "let's get started" and we then go step by step. But now it all gets complicated and difficult, I mean it basically creates a new dimension of complexity which has to be solved on the communication side. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.	It could also have been an American country. […] And then we just said: "Let's try out Northern European country B!" In a startup, you can't just make a big plan and implement it piece by piece, you simply get started. We can't just try out things here and there in a startup style anymore; we have to plan things now. And then we or I sat down […] and wrote a road map, so which steps we'll do next. We are now trying to implement piece by piece if possible. And then, there are always new things coming up, we are learning continuously.
Organizational adaptation capabilities <u>Rating: ML (ML)</u> *Ian: ML (ML)* *Inga: ML (ML)*	[…] I have to try to manage the additional complexity related to the organization and the additional coordination effort. That certainly is the main topic […]. Basically, we have tried building some form of a project-oriented matrix organization. That's the master plan that Inga made. Well, we tried to introduce new alignment routines so to say. […] You also have to set up new processes.	[…] in autumn we decided that I will be responsible for the internationalization of S4. And for the moment, we are trying to build a team for Northern European country B in order to get the launch done. That definitely is one of the biggest learnings. If you enter a foreign market, hire locals from that country. We just hired a local from Northern European country B in order to counterbalance the cultural differences. Since we are convinced that we don't understand this market as well as somebody from there […]. We have one colleague from American country A, one from Northern European Country B and from American country B […]. […] after we tried out this and that throughout the whole year I have said: "Ok, I'll create a roadmap now, we have to sit down and structure things now."
Capabilities to leverage external supporters <u>Rating: MH (MH) (mixed)</u> *Ian: MH (MH)* *Inga: ML (ML)*	I took over the operational role under the premise that we really commit a lot of money, that we don't have to discuss about (...) extra rounds or an additional financing in the foreseeable future. They [the VC] […] are offering let's say infrastructure, which helps us networking and gaining experience. There are meetings, trainings and seminars on the different levels and different functional areas […]. If I fly to American country C, I meet up some people, if I am in Northern European country B, we have dinner together […]. Well, this helps indeed. From its self-conception, the incubator is a 'network of entrepreneurs'. So the networking works, but you then have to do one-on-one deals on this basis. I meet up with my colleagues from the incubator from American country C or Northern European country B at least two to three times a year.	*Interviewer: How does the incubator support you in the internationalization?* Inga: ((laughing)) I haven't heard of anything. […] No, we really do this all by ourselves. So I just came from a workshop on the internationalization. But I wouldn't call this a training but rather a networking event. But we would really need more support in that area […].
Capabilities to	Someone from Northern European Country A showed up since we grasped his attention. And then they said	

leverage foreign distributors <u>Rating: L (L)</u> *Ian: L (L)* *Inga: - (-)*	(...) we want to do this country. […] So it was purely opportunistic. With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […]. We really have no lever for letting the business grow. Every other month we are offering to send an employee who can train them in online marketing. […] there we have the advantage of an inexistent risk, but we pay it with the downside of having no lever whatsoever for letting the business grow. In Northern European country A, we have a customer support lady who also does a little bit of google marketing. Other than that, everything is done in Germany. In two weeks, we'll open up a mail box [in Northern European country B]. It's TBD whether we'll have people sitting there in the long run. We'll have to see.	
Prior startup internationalization experience(1)	Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.	Yes, we are not sure yet what we want to do, but we definitely consider entering several countries (…). So, Northern European country B is the test project now, the test pilot so to say. And there we really want to learn as much as possible and we try to see what we have to do better, what already works well and what doesn't. And then we'll think about the next markets.
Complexity aversion <u>Rating: MH</u> *Ian: MH* *Inga: -*	So, we basically approached this [the internationalization] very gradually. Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.	
Venture (intl.) performance(2)	With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […]. We really have no lever for letting the business grow.	
Feedback effect on PES and complexity <u>Rating: HN</u> *Ian: HN* *Inga: HN*	Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.	Yes, we are not sure yet what we want to do, but we definitely consider entering several countries (…) So, Northern European country B is the test project now, the test pilot so to say. And there we really want to learn as much as possible and we try to see what we have to do better, what already works well and what doesn't. And then we'll think about the next markets.

- Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low; HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative
- First (underlined) rating reflects aggregated score
- For capability-ratings, first scores reflect current capability level (at the time of the interviews); scores in brackets refer to initial level (at the beginning of the internationalization)
- For (1) *prior startup internationalization experience* and (2) *venture (international) performance benefits* ratings are mostly based on additional, firm level data. Thus no rating is provided in this interview data table. Quotes are nevertheless included in the table as they show the influence of the respective variables.

Table 12: Within-case analysis - venture S4
Source: Own illustration

5 Cross-case analysis and proposition-building

The previous chapter introduced the individual cases used in this dissertation. The standalone analysis of each of the cases has revealed patterns regarding the impact of PES on complexity, capability formation, and venture performance. However, this standalone-analysis is not sufficient to derive robust theory and should be complemented with a comparative analysis of all cases (Eisenhardt, 1989; Strauss, 1987). According to Eisenhardt (1989), cross-case analysis forces "investigators to go beyond initial impressions" (p.541) which increases the "likelihood of accurate and reliable theory, that is, a theory with a close fit with the data" (p.541) and "the probability that the investigators will capture the novel findings which may exist in the data" (p.541).

Consequently, a comparative analysis of all cases will be performed in the following. Table 13 gives an overview of the key variables analyzed and on the ratings across all cases.[36]

Variable // venture	F1	F2	F3	F4	F5	S1	S2	S3	S4
PES (# countries/ time since first internationaliz.)	15	12	10	8.6	8	1.6	1.5	1.3	0.6
Complexity	H	H	H	MH	MH	ML	L	ML	L
Internationalization process capabilities	I: MH C: H	I: MH C: H	I: ML C: MH	I: ML C: MH	I: ML C: MH	I: ML C: ML	I: L C: L	I: ML C: ML	I: L C: ML
Organizational adaptation capabilities	I: MH C: H	I: MH C: H	I: ML C: H	I: L C: ML	I: L C: L	I: L C: ML	I: L C: L	I: ML C: L	I: ML C: ML
Capabilities to leverage external supporters	I: H C: H	I: H C: H	I: H C: H	I: ML C: ML	I: ML C: ML	I: L C: L	I: L C: L	I: ML C: ML	I: MH C: MH
Capabilities to leverage foreign distributors	/	/	I: ML C: H	I: ML C: H	I: ML C: ML	I: ML C: ML	I: L C: L	I: ML C: ML	I: L C: L
Prior startup internationalization experience(1)	H	H	L	L	L	L	L	L	L
Complexity aversion(1)	L	L	L	ML	H	H	H	MH	MH
Venture (international) performance	H	H	H	MH	ML	L	ML	L	L
Feedback effect on PES and complexity	HP	HP	HP	P	N	NH	NH	NH	HN

Abbreviations:
I: Initial C: Current H: High MH: Medium-High ML: Medium-Low L: Low HP: Highly Positive P: Positive N: Negative HN: Highly Negative
(1) Entrepreneurial team level (founders and key employees)

Table 13: Overview of all case assessments
Source: Own illustration

[36] For details on the definition and operationalization of all variables as well as on the aggregation of ratings please refer to chapter 4.1.

As the table shows, ventures highly deviate with regard to their PES. Five ventures (F1-F5) internationalized at a high PES, four ventures (S1-S4) expanded more slowly. The fast internationalizing ventures typically faced a high level of complexity, intensely formed specific, internationalization related capabilities and were able to capture high performance benefits from the internationalization. Slowly internationalizing ventures on the other hand experienced a considerably lower complexity level, revealed lower capability formation intensity and achieved relatively low performance benefits. F4 and particularly F5 stand out in that, despite a high PES, they show lower capability formation and also lower performance benefits as compared to the other fast internationalizing ventures.

In the following, the interrelation of these variables will be explored in detail. Specifically, the level of PES across ventures is compared (chapter 5.1) and the impact of PES on the emergence of complexity (chapter 5.2) and on the formation of specific internally and externally oriented capabilities (chapters 5.3 - 5.5) is evaluated. Thereafter, interrelations between these capabilities are discussed (chapter 5.6) and the influence of prior managerial experience (i.e. prior startup internationalization experience; chapter 5.7) and complexity aversion (chapter 5.8) on capability formation is assessed. Finally, the impact of PES on venture performance (through aforementioned capabilities) is analyzed (chapter 5.9) and the feedback effect of capabilities on the subsequent PES and the resultant complexity is discussed (chapter 5.10).

5.1 Post-entry speed of venture internationalization

Post-entry speed (PES) emerged from the data as a key influential factor of the internationalization-performance-relationship, specifically as a driver of complexity, capability formation, and ultimately venture performance.

PES is defined as "*the pace of international expansion of a new venture once it has become an INV"* (Prashantham & Young, 2011, p. 277) and is thus concerned with the speed of the *subsequent* international growth once the first foreign market entry has occurred (Autio et al., 2000; Casillas & Acedo, 2013; Prashantham & Young, 2011). It is conceptualized here as the *increase in the number of foreign countries entered over time* and is measured as *the number of countries actively entered divided by the time since the initial internationalization*, that is the first market entry.

As Figure 17 shows, the nine ventures analyzed highly deviate with regard to their PES. While five ventures (F1, F2, F3, F4 and F5) were pursuing their international expansion very ‘fast’, the other ventures (S1, S3, S3 and S4) internationalized at a relatively low speed. The sample can thus be grouped into into ‘high PES ventures’ (F1-F5) and ‘low PES ventures’ (S1-S4).

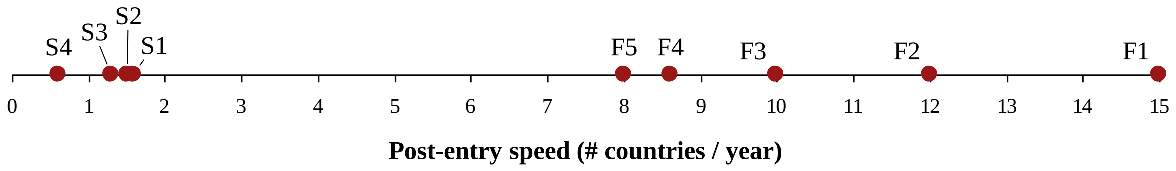


Figure 17: Overview of post-entry speed
Source: Own illustration

The following chapter will outline the impact of these divergent PES levels on the degree of complexity faced by the startups.

5.2 Post-entry speed and complexity

The data revealed that ventures with differing PES levels also highly differed with respect to the complexity they faced as a result of their (fast) internationalization. As shown in chapter 2.2.2.3, the interrelation between PES and complexity is already discussed in the literature. Several scholars (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004) argued that a high PES results in higher complexity – due to both internal factors (e.g. organizational challenges, required process adaptations and challenges in the coordination of and knowledge transfer with foreign entities) and external factors (e.g. country particularities such as foreign cultures, social and institutional settings).

As the data revealed, the internationalization driven complexity mainly occurred in three specific fields:

- *Internationalization process related,* in particular regarding the market selection as well as the market entry process;
- *Organization related,* especially with respect to adaptations in the organizational structure and internal processes;
- *Partnering related,* particularly linked to the partner selection process as well as the management of existent partners.

Moreover, the analysis showed clear differences in the level of complexity (on all three complexity fields) based on the PES. As summarized in Table 14, all sample companies internationalizing at a faster rate – F1, F2, F3, F4 and F5 – were facing a high level of internationalization related complexity, while all ‘slower’ ventures – S1, S2, S3 and S4 – reported a considerably lower complexity level.

For example, F1 faced an overall high level of complexity. Driven by a very fast internationalization, the company in particular struggled with internationalization process related challenges. As CEO Adam exemplified:

> “The very first day when you start to internationalize, you realize how complex it all gets: Multiple languages, customer service, customs, etc.” (l. 225-227).

Adam furthermore pointed towards organizational challenges such as communication issues resulting from the fast internationalization.

Similarly, F2 struggled with a high level of internationalization process related complexity. CEO Brad emphasized that country particularities as well as the diffusion of the managerial focus across several countries were major complexity drivers and clear internationalization hurdles that “you should never underestimate” (l. 204). CTO Bill added that especially cultural and language related challenges drive the complexity of each new entry and even require the use of different entry modes dependent “on the question whether you understand a market” (l. 306). F2’s fast internationalization pace moreover caused a high level of organizational complexity and in particular process and communication related problems. Brad conceded:

> “As in any other fast-growing company, processes cannot keep up and a lack of transparency occurs. Even in the communication, putting it bold, one doesn’t know what the other person does. Organizational issues, the question whether everything is compliant, whether we are having the right processes in accounting, etc. Well, we simply approach a speed where you at least perceive to be always one step behind […]” (l. 145-148).

For F4, even all three types of complexity were observable in the interviews. Referring to internationalization process related complexity such as language barriers and entry mode related challenges, Head of Marketing Derek emphasized: “We became aware pretty quickly that markets work completely different. There are simply entry barriers such as languages or how sales works” (l. 342-344). CEO Dave added that “tariffs” (l. 198) and “administrative barriers” (l. 202) are major internationalization hurdles that “make it simply impossible being competitive in those markets – at least without a really well thought through market entry strategy” (l. 199-201). Due to its fast internationalization, F4 moreover experienced complexity related to its organizational structure. Derek recapped:

> "Since it was all done very quickly, we […] have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here" (l. 371-374).

Finally, F4's fast internationalization triggered partnering related complexity. Derek stated that "everything related to handling the distributors obviously implies a lot of complexity regarding customs, importing, etc." (l. 396-398) and Dave added that "differences in time zones and languages as well as cultural barriers, etc." (l. 347-348) and the large physical distance made partner management complex and even resulted in failure in two occasions.

Similar patterns were observable for F3 and F5. Both ventures experienced organization related complexity. F3 according to CTO Carl had to restructure the organization "three or four times by now. Along countries, regions, languages" (l. 487-488). Similarly, F5 struggled finding the right organizational set-up and organizing "the so-called knowledge transfer" (Eddy, l. 248-249). In addition, both ventures faced partnering related complexity. Carl (F3) pointed out that "finding the distributor at the beginning" (l. 356-357) and then coaching and qualifying these partners are complex tasks and "a major effort" (l. 346). In the same vein, CEO Erik revealed that for F5 "[t]he biggest hurdle is finding the right partner" (l. 898) and CTO Eddy added that qualifying the partner to handle and sell the product and offer aftersales services was challenging and time-consuming. Finally, F5 experienced internationalization process related complexity in terms of cultural and legal challenges as well as limited access to distant markets and local networks. As Erik stated: "Yes, in Asia, and basically everywhere else as well, we are facing network problems […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup" (l. 296-302).

To sum up, all ventures that showed a high PES also experienced a high level of complexity resulting from their fast internationalization. All 'slower' ventures on the other hand faced a considerably lower level of internationalization related complexity.

S1 struggled with unexpected legal and tax related issues after entering one specific country with a wholly owned subsidiary, but apart from this, only came across minor challenges such as a certain lack of coordination perceived by one employee. S2 experienced some challenges with respect to its organizational processes as well as with regard to finding the right distributors, but the team was primarily concerned with emergent fields of complexity such as custom and tariff issues for a future market. S3 came across minor market particularities such as local payment habits as well as some partnering related challenges where the venture according to CEO Hardy "obviously would have preferred finding a global distributor" (l. 242) but had to work with several local distributors which was "much more work" (l. 246). Finally, S4 experienced some organizational complexity regarding its communication processes and regarding its coordination efforts, where CEO Ian admitted that he has "to try to manage the additional complexity" (l. 569-570).

To conclude, the data indicated that PES triggers complexity and that 'faster' internationalizing startups faced a considerably higher complexity level than their 'slower' counterparts. Since these findings are in line with extant theory, the following baseline proposition is derived:

> *Proposition 1 (baseline-proposition): For INVs, higher PES increases the level of internationalization related complexity (internationalization process, organization and partnering related complexity).*

Venture	Rating	Statements from the interviews
F1	H	Adam: For all strategic questions, you have to think of multiple levels [due to the internationalization] […]. You have another field that you have to manage […]. You realize this, I am much more torn between different things. Adam: The very first day when you start to internationalize, you realize how complex it all gets: Multiple languages, customer service, customs, etc. This was an argument against it [the international expansion]. Adam: We were afraid [of the complexity] – at the end it was probably the wrong points that we expected to be complex, but in total, it was clearly more complex than expected. Andrew: It is clearly more complex if you have to include several languages. We initially underestimated this. We thought it is not so difficult to internationalize it. But, we now realize that it causes problems. Andrew: Well, I think IT was the biggest threat for us. We feared most that we would not be able to handle the internationalization, and that our web page constantly crashes or becomes super slow. There were some weeks, when we were scared of it. Adam: […] through this, a stronger separation between the international business and the main business occurred, which I want to reduce in this third step so that people start talking to each other again.
F2	H	*Brad:* Risk [was an argument against the internationalization]. The diffusion of the management team, large capital expenditures […] well, there are many factors and at the end it is always different markets, it is always different cultures, I have now learned that too. You may never enter with, I would say, with a German arrogance, with the perception of having somehow understood the world. Other markets and other consumers work differently, media works completely different […] you should never underestimate this. Bill: Yes, the different modes depend on the question whether you understand a market. Well, I would say, we are fairly confident that we somehow understand Asian country A but we are not confident that we understand Asian country B. […] these guys are sitting in the market, have their own IT, their own products and basically it is a completely independent thing. Simply because we don't understand the market, we don't understand the language, there is a killer time difference in between and all that together in one pot doesn't yield a cool mix, I guess. Brad: As in any other fast-growing company, processes cannot keep up and a lack of transparency occurs. Even in the communication, putting it bold, one doesn't know what the other person does. Organizational issues, the question whether everything is compliant, whether we are having the right processes in accounting, etc. Well, we simply approach a speed where you at least perceive to be always one step behind […]. Brad: […] now we are larger and more international and thus you have to align more and communicate a bit more
F3	H	Claudia: I would say that cultural differences and working in almost virtual teams are of high importance. Simply because in a startup, you don't have the money to travel everywhere and talk to people. How can I build up contacts so that trust is achieved – in particular in Asia? Carl: It is a major effort. Well you have to be honest. First, there's the effort of convincing the distributor to start with us. […] finding the distributor at the beginning and then convincing the clients to buy the product, that's the first big chunk of work and lasts for a couple of months Carl: […] we are constantly adapting it [the organizational structure] ((laughing)) […] we did it for the internationalization, or actually had to do it. I think we have restructured it three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities.
F4	MH	Derek We became aware pretty quickly that markets work completely different. There are simply entry barriers such as languages or how sales works. Dave: [Entry barriers] are tariffs in some countries which make it simply impossible being competitive in those markets – at least without a really well thought through market entry strategy. Secondly, there are market entry barriers apart from customs, let's say the administrative barriers. Derek Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand, we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here. We simply have to position ourselves in order to do this well. In the long run, this is true great art. Derek But from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should

		have prepared it more sustainably from the beginning instead of being forced to permanently react. Derek So now everything related to handling the distributors obviously implies a lot of complexity regarding customs, importing, etc. Dave: Actually, it was only Asian country A and B where it didn't work out well. But looking back it is totally clear – and I can also confirm this based on my time in Asian country C – the differences in time zones and languages as well as cultural barriers, etc. are all problematic. But the main barrier from my point of view really is the distance, and in that sense also the perceived distance of the partnership.
F5	MH	Eddy: The true hurdles emerge in Asia and American country A due to the differing legislation. And obviously also due to the different mentalities. Erik: Yes, in Asia, and basically everywhere else as well, we are facing network problems […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. Eddy: Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. Erik: The biggest hurdle is finding the right partner. And we really had a learning curve there. Elias: That [the largest hurdle] is the sales and service network, i.e. the representatives for the continents or countries. We definitely had some trouble finding the right representatives which are active in the market and capable of taking over the sales, which understand the technology and as a last step are also offering support and services. Eddy: The partner first has to be enabled to understand our system and to explain it to the customer, and to handle the demo system that we sent him as an operator of the demonstration. And then he should be enabled to maintain the systems and to take over the service […].
S1	ML	Fred: Yes, with the own subsidiary in Northern European country A, we made the experience, that we did not think about legal and tax related questions enough in advance […]. It all just happened little by little, so it was first driven by the market and then the legal and tax related aspects broke down on us. Fred: Complexity [was an internationalization hurdle]. We first started in Austria and Switzerland since no language barriers existed [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. Francis: Maybe that is a slightly negative aspect from my point of view. That you would need somebody who is coordinating everything from the top, so that everything works out well and that people don't run around doing their own things like a swarm of insects.
S2	L	Gary: We also underestimated that you indeed do not get along with English in some markets […] we actually underestimated, that you really need to know the local language to get a grip on the market. Gary: […] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets. Gale: In fact, the largest one [hurdle] is finding these distributors, yes, this was the largest hurdle, other than that (...) PR. Gary: […] as soon as you are outside of Europe, e.g. in American country A or Asian country B, you are immediately facing problems with customs, with importing, I mean you aren't present in the market, you can't just contact shops opportunistically […] but you really have to prepare a lot more.
S3	ML	Hardy: Yes, every local market works differently. The European market probably still is the most foreseeable one, but the American market already works differently since they e.g. pay differently. Hardy: We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. Hans: […] we are lacking automation in these processes. It's a lot of manual work, which of course takes much time. You simply develop automatisms, manual automatisms to be able to handle everything […].
S4	L	Ian: Primarily it is (...) I have to try to manage the additional complexity related to the organization and the additional coordination effort. That certainly is one of the main topics […]. Inga: […] often the communication is the weak point, simply because you forget who is also impacted by certain things. Ian: With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […] we have the advantage of an inexistent risk, but we pay it with the downside of having no lever whatsoever for letting the business grow.

Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 14: Impact of PES on complexity
Source: Own illustration

In the next chapters, the impact of the divergent levels of PES and consequently complexity on the formation of specific capabilities will be discussed.

5.3 Post-entry speed and capability formation

The preceding analysis and extant research (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004) show that a higher PES of venture internationalization triggers internationalization related complexity. While many scholars suggest that this complexity and the resultant inefficiencies and additional costs for example stemming from required organizational adaptations could pose a considerable threat to venture performance and even survival (Sapienza et al., 2006; Sapienza et al., 2003; Vermeulen & Barkema, 2002; Wagner, 2004), other researchers propose ventures might respond to the complexity and uncertainty by forming *capabilities*, that is by configuring and deploying their resources and “using organizational processes, to effect a desired end” (Amit & Schoemaker, 1993, p. 35) and might thus counteract these negative performance consequences (Autio et al., 2011; Kuivalainen et al., 2010). For example, Autio et al. (2011) suggested that uncertainty, “ambiguity, variability, and complexity” (p. 14) triggered by the international expansion has a highly positive influence on the formation of organizational capabilities that enable and facilitate the continued internationalization. Moreover, scholars underline that, due to the absence of extant routines and the resultant learning advantages of newness, INVs are particularly strong in forming these capabilities (Autio et al., 2000; Knight & Cavusgil, 2004; Sapienza et al., 2006).

The analysis of the case data seems to confirm these suggestions. As the data revealed, ventures developed certain capabilities which helped them alleviate the negative consequences of higher internationalization related complexities. More precisely, four capabilities emerged as being particularly important. They can be differentiated (among others) along their internal or external orientation. The following chapters will discuss these capabilities and their formation processes across all ventures.

5.4 Post-entry speed and internally oriented capabilities

The first set of capabilities ventures seem to develop when facing an increase in internationalization related complexity is concerned with internally oriented skills. Data revealed two important subcategories: *Internationalization process capabilities* and *organizational adaptation capabilities.*

5.4.1 Internationalization process capabilities

The data revealed that the PES driven complexity triggered the formation of abilities to systematize and improve the market selection and the subsequent market entry process over time. This skill set is termed *internationalization process capabilities*, and, building on definitions of related capabilities by George et al. (2004) and Autio et al. (2011), is defined as *active and systematic approach towards the market selection as well as the entry process*. The underlying indicators are the *market selection*, which refers to the systematic analysis and selection of target markets, and the *entry process,* which is described as “the sets of activities related to entering a new market, establishing a business infrastructure, and devising and initiating transactions to buy, sell, or manufacture a product or service in a foreign market" (Autio et al., 2011, p. 14).

Prior research in the INV context already discussed the formation of related capabilities as a response to the internationalization induced complexity and uncertainty. For example, George et al. (2004) revealed that the market entry related uncertainty triggers the formation of a specific set of capabilities, termed *international market entry capabilities*, that facilitates the market entry process (i.e. the process from planning the entry until the generation of first sales). This capability set is composed of entry organizing and market intelligence related skills. In the same vein, Autio et al. (2011) proposed that the uncertainty and risk stemming from the (early) internationalization process and the resultant learning experiences from each market entry trigger the formation of *market entry related capabilities*, composed of organizing activities and cognitive maps related to entering foreign markets. Both scholars furthermore mentioned beneficial impacts of these capabilities e.g. related to the enhanced mastering of the uncertainty and complexity (but both did not include performance outcomes in their analyses). Research in the context of gradually internationalizing MNCs and SMEs moreover discussed the beneficial impact of related capabilities and knowledge areas. For example, Eriksson et al. (1997) suggested that *internationalization knowledge* (IK) reflects a firm's capacity to engage in foreign market operations and includes skills such as the ability to organize the international operations and to judge which additional internationalization related knowledge might be required and where to seek it. Building on this knowledge concept, scholars confirmed the importance of IK for the entry mode selection and throughout the international expansion process (Fletcher et al., 2013; Sandberg, 2014) as well as the beneficial impact for reducing the market entry related uncertainty in light of market distance (Hilmersson & Jansson, 2012).

Table 15 summarizes the activities and resultant overall ratings for the internationalization process capabilities across the sample. As shown, all startups with a high PES (F1-F5), and consequently a higher level of complexity faced, responded to the emergent complexity considerably more active and formed aforementioned skill set to a significantly higher degree as compared to the 'slower' startups (S1-S4).

Ventures F1 and F2 already approached the market selection and the entry process particularly systematic. Both startups already selected the first markets relatively systematical and based on a market analysis. For example, F1 according to CTO Andrew used criteria like "a market volume perspective" (l. 172), language barriers and prior e-commerce experience regarding these markets. Moreover, both ventures continuously improved the selection process over time. F1 initially also ‘tested’ several countries with a low-scale entry in order to “gain real life data” (Andrew, l. 491) and experience about these markets. But the venture soon realized that this trial and error approach increased complexity. “[F]ierce competition” (l. 405), language barriers, differences in “payment methods” (l. 406) and a too large distance according to Andrew caused several exits and triggered the learning that a thorough upfront-research is important to avoid unnecessary failures and exits. In the same vein, CTO Bill stated that F2’s initial market selection process was “not on an as formalized level as we are doing it now” (l. 403). Experiencing complexity and even failed entries in several countries, the company considerably improved the selection process. As Bill stated:

> “Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying” (l. 465-477).

Both ventures moreover developed a highly systematic market entry process. Arthur, International Development Manager of F1, admitted that their first international go-life was “still very chaotic” (l. 337), but the company then “structured and listed it” (l. 338) and this checklist enabled the company to better handle the emergent complexity and eased subsequent entries. CEO Adam confirmed:

> “[P]robably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] the last five countries were exactly like that, no heart was beating faster when we launched a country. We had a grip on IT and on all processes that had to happen on the business side” (l. 289-304).

Similarly, F2 according to CEO Brad approached its initial entries a bit less structured, but “by now it is very well-developed and I belief based on this we can scale very fast, exactly along the planning model” (l. 302-304). F2 for example formed a business development team which centralized competences and was in charge of developing detailed launch plans and roll-out “road maps” (Brad, l. 336) per country, and which offered “many workshops” (Brad, l. 335) and intensive coaching to the country managers. Finally, both teams also became very strategic with regard to the entry mode choice. F1 decided on a centralized approach with country teams based in the headquarters, which according to Adam fosters internal learning and knowledge transfer and consequently is the ideal approach. F2 started to apply different entry modes depending on the team's understanding of the target country. For example, for distant, complex markets, F2 decided to rely on local country teams, often combined with an experienced CEO from the headquarters. The particularly strong internationalization process capabilities of these teams are moreover supported by secondary data. For example, in an article on F2's internationalization, the authors stated that the experience gained in the first markets will considerably ease the subsequent market entries for the venture (web_01).

Ventures F3, F4 and F5 initially all showed relatively low internationalization process capabilities. But facing the complexity from their fast international market entries, they all considerably improved this skill set and revealed a relatively high capability level at the time of the interviews.

For example, F3 initially selected its markets partially systematic and based on a detailed market research and country prioritization list, but also entered several countries opportunistically. CTO Carl admitted that "if somebody from a smaller country which we haven't thought of contacted us, we obviously have taken him as well" (l. 328-329). But according to CEO Chris, they learned that this opportunism drove complexity and that a more structured approach is required:

> "I believe, especially for a product that involves service and training you should make sure that your business stays condensed to some degree. […] I would now enter markets a bit more aggressive and more structured from the beginning" (l. 560-572).

Similarly, F4 and F5 initially selected their markets at least partially opportunistic, started to struggle with the resultant complexity and thus began to systematize their market selection. Dave, CEO of F4, admitted that they should have done "everything less opportunistic, simply approaching everything with a better plan" (l. 496-497) and that based on this learning, the venture now developed a sales plan, prioritized markets based on their potential and defined eight focus countries for the next year. The increasing systematization allowed F4 to handle the complexity faced, to reduce capacity bottlenecks and consequently, to continue its internationalization at a fast pace. As Dave summarized:

> "So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market opportunistically since you would simply burn too much ground. In small markets or in Europe, this works. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit" (l. 1341-1350).

In the same vein, Elias, Head of International Sales at F5, stated that they initially took "every sales opportunity you get" (l. 375), but soon realized this drove complexity and thus learned to maintain a certain country focus, "to verify the potential for later" (l. 374), be more strategic in its market selection and as a consequence "start getting active in the business development field" (l. 372).

With regard to the market entry process and entry mode selection, similar patterns could be observed. Initially, F3, F4 and F5 all showed a comparably low degree of systematization, but improved these skills over time. For example, Dave (F4) conceded that F4 initially had a lack of "'know-how' in the company how to handle the foreign business properly" (l. 1030-1031), but that the team quickly realized better planning was important. Product Designer Daren added that significant improvements in the entry process were already achieved and that "it already became much more structured […] in the area of market entries" (l. 262-263). Similarly, Sales Director Claudia (F3) underlined that the initially low systematization and the absence of "standard operation procedure[s]" (l. 477) inhibited F3's ability "to set priorities" (l. 476-477) and thus drove complexity, but that they actively pushed for more systematization and already implemented first improvements. F3 moreover adjusted its entry mode. The venture started with a direct entry but, as Chris stated, faced considerable complexity regarding market particularities, payment conditions and so on and consequently defined a rigid entry process of using local distribution partners.

Summing up, all sample ventures internationalizing at a high PES have responded to the emerging complexity and have developed particular skills related to the systematic market selection and market entry. A particularly strong capability level could be observed for F1 and F2. The data furthermore showed that the 'slower' ventures (S1-S4) only developed these skills to a very limited degree.

All four ventures (S1-S4) initially selected their markets mostly opportunistic. For example, Co-Founder Gale pointed out that the market selection of S2 was mostly "opportunistic" (l. 352) and CEO Gary added that entries mostly occurred reactively since "distributors also approached us directly" (l. 257). Similarly, Ian, CEO of S4, described the selection process as "totally opportunistic" (l. 168). Moreover, most of these ventures only showed minor improvements. For example, at S4, an intern at some point was asked to analyze markets in order to derive the market attractiveness "more or less systematic" (Ian, l. 339), but Internationalization Manager Inga revealed that subsequent markets were again selected mostly opportunistic. In the same vein, Hardy, CEO of S3, stated that one of their "high flyer investors" (l. 395-396) proposed a systematic ABC prioritization which however from his perspective was not feasible and pure "theory as imagined by a VC. In practice, we are selling to everybody who shows up" (l. 400-401). Employee Hans confirmed that markets were still added mainly reactively based on distributors approaching the company.

Moreover, all four ventures (S1-S4) considerably struggled with the market entry process but, facing the complexity resultant from the unsystematic process, began to show at least first improvements in this area. For example, CEO Fred (S1) stated that "complexity" (l. 231) initially was a major internationalization hurdle for S1 and that "we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to" (l. 235-237). Facing the uncertainty and complexity and "struggling with too many topics in parallel" (l. 280), the venture according to Managing Partner Frank even decided to delay further market entries and to systematize its entry process first. As a starting point, S1 began developing a checklist for future entries which according to Fred "is not the ultimate blueprint yet, but actually, we are currently working on it and I believe that by the same time next year, we should be capable of taking a maximum of two months for the process from the initial thought about the entry into a new country until having completed the entry. At least that's how I picture the future" (l. 408-411).

In the same vein, Ian asserted that S4's approach of ""let's get started" and we then go step by step" (l. 358) created considerable complexity: "But now it all gets complicated and difficult, I mean it basically creates a new dimension of complexity which has to be solved" (l. 361-362). As Inga added, the team recognized the need for an increasing systematization of the entry process and thus she started to develop a systematic roadmap:

> "We can't just try out things here and there in a startup style anymore; we have to plan things now. And then we or I sat down […] and wrote a road map, so which steps we'll do next. We are now trying to implement piece by piece if possible. And then, there are always new things coming up, we are learning continuously" (l. 490-497)

Gabi even pointed out that S2's entry process was "really testing and experimenting" (l. 797) and Gary added that they clearly lack know-how regarding the entry process and market particularities and were even considering to seek advice from an external consultant in order to compensate for the capability gap regarding the internationalization process:

> "[E]specially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the

market works, how we should contact people […] there we simply need know-how, independent know-how" (l. 428-434).

Lastly, these ventures also struggled with the entry mode selection. For example, S1 according to Fred tried to enter one country with a direct mode, however realized that they "did not think about legal and tax related questions enough" (l. 498-499), got overburdened by the resultant complexity, pulled out of the market and then started to test different indirect modes such as partnering. Similarly, S3, according to Hardy tried to minimize the workload and complexity caused by the international expansion and thus initially searched for "a global distributor" (l. 242) but failed to find one. The venture then tried to gain exclusive partners for particular regions, but again struggled to find these and ultimately tried a test phase with several partners per region – as well as direct sales via its web shop.

To conclude, all sample startups with a high PES have responded to the internationalization driven complexity by forming *internationalization process capabilities*, that is by systematizing their market selection and market entry process over time. All 'slower' sample startups, internationalizing with a low PES and consequently facing a lower degree of related complexity, have only developed these capabilities to a very limited degree.

Survey data supports these findings. Participants were asked whether their venture considerably improved the gathering of market knowledge (e.g. the recognition of local particularities and specific customer needs) due to the internationalization and it turned out that 'high PES ventures' saw a greater impact of their international activities on market knowledge (mean F1 to F5 = 6.20) than 'low PES ventures' (mean S1 to S4 = 4.75), with the difference being statistically significant ($t(7) = 3.28$, $p < .05$). This substantiates the impression that 'faster' ventures were able to gather more knowledge on international markets and thus improve both the market selection and the subsequent entry process considerably.

Summing up, the data and evidence presented above suggests:

Proposition 2a: For INVs, internationalization related complexity mediates the positive relationship between PES and the formation of internationalization process capabilities (systematic market selection and market entry processes).

Venture	Rating	Statements from the interviews
F1	I: MH C: H	Andrew: Well, in January, we started with, ehm, Northern European country A and B (...) and central European Country A. The reason was that these were the largest product markets from a market volume perspective. We knew about Northern European country B that e-commerce actually always works well there… […] before, we entered Switzerland and Austria, which was obvious due to the language. Andrew: Due to the success in Northern European country B, we said: "We have to enter as many countries as possible and just check which ones work and which ones don't – since we cannot analyze excel based which countries are good and which ones aren't. It was a conscious decision to say: "No, let's try to get real life data" – that's how we called it. Adam: Since our costs of entry were so low, the best method was entering and finding out rather than planning and asking questions.

		Andrew: Well, the American country A was a mistake due to the fierce competition. Eastern European country A was difficult due to the language and the payment methods, which we actually could have found out upfront. Australia was simply too far away […] Adam: I would maybe define yes / no criteria earlier and more radical – and more transparent for everybody: “This is a test country, welcome on board. We will talk in five months whether you have reached what other countries have achieved. And if you haven’t reached this, we will shut down this country.” Arthur: The first time we went live with F1 was still very chaotic, which is totally normal I assume. Then we structured and listed it and for the other countries it was already much easier. Adam: […] probably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] We had a grip on IT and on all processes that had to happen on the business side. Anton: There was a brief setup of things that we needed to go through. I remember we had a weekly plan from my manager about things that needed to be done that week. Because when I started, basically with the support from IT, I setup the whole page from ground, e.g., building the content and the templates that IT set up. That process changed, though […]. Adam: Yes it [the entry mode] is still ‚minimal approach’, the best thing we have ever done. […] you are simply learning everything from here – even the large, highly international startup A is still selling out of Germany to Central European country A, etc.
F2	I: MH C: H	Bill: […] when Eastern European country A, Asian country A and American country A were started, there obviously also was some research, etc. But I would say not on an as formalized level as we are doing it now. I mean, now it’s really like this, we have a really formalized process, we walk through stages and sanity checks, where we re-check the data and verify whether we are still on track […]. Bill: Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying. Brad: […] initially, this was definitely, I wouldn’t say unstructured, but not as profound. In the meantime, we are in fact looking very detailed into the specific metrics […] by now it is very well-developed and I belief based on this we can scale very fast, exactly along the planning model. Bernd: It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. […] and then there is also some kind of a consultant role, whereby we are also actively intervening. So if we really (...) want to do something or want to roll out something, where we might know this worked well in country A, we obviously want to test it in country B as well. Brad: There are obviously many workshops where we say: “let’s now discuss the roadmap together, which are the milestones for the first eight weeks, when should the go life occur, what is the feature complete from our perspective, etc. Brad: […] then it actually is a coaching, where my team or I myself go in. So I am in the market, I am having calls with them on a regular basis; we are defining the milestones so to say. We are anyhow working very plan-oriented […] and like that we are moving from month or week to week along the business plans. Bill: Yes, the different modes depend on the question whether you understand a market. Well, I would say, we are fairly confident that we somehow understand Asian country A but we are not confident that we understand Asian country B. […] it is a completely independent thing. Simply because we don’t understand the market, we don’t understand the language, there is a killer time difference in between and all that together in one pot doesn’t yield a cool mix, I guess.
F3	I: ML C: MH	Carl: We actually searched for countries and we checked the expenditures in the health sector, the number of people living in these countries and the regulatory requirements. Carl: And the result was a list through which we then consequently went […] However, we still took chances. So if somebody from a smaller country which we haven’t thought of contacted us, we obviously have taken him as well […]. Chris: I think, we always approached the new countries a bit opportunistically as well. This means that in case there was a chance to install a product or a client who wanted to have it, we did it. […] I believe, especially for a product that involves service and training you should make sure that your business stays condensed to some degree. […] I guess I would now enter markets a bit more aggressive and more structured from the beginning […] you probably could have built up everything more parallel or more structured and at a higher pace I guess. Chris: For every country, we initially checked the conditions for the registration of products, for the market entry, the size of the country, healthcare expenses per capita […]. Normally, we were then searching for a distribution partner relatively quickly and thus the selection of the partner became the main preparation. *Interviewer: Do you have a systematic internationalization process? Is it written down? [….]* Claudia: No, But that’s exactly what I am trying to explain here the whole time, even if you can only see it on this weird piece of paper here. We have to segment customers and markets into A, B and C. Because it’s just done like that in order to be able to set priorities. So, it is not written down in the form of a standard operation procedure but, yes, it is discussed. […] I mean, during the last year, we managed to get from a pure gut feeling towards a ‘documented feeling’ […]. Chris: In Southern European country A, we first started directly but we soon realized that we actually don’t want this due to all the payment conditions, etc. Consequently, we now have distributors everywhere apart from Germany.
F4	I: ML C: MH	Dave: There [on the fair], we faced a huge amount of demand. I mean, we were basically approached by 30 potential countries who asked whether they could distribute our products. *Interviewer: Are there any things you would do differently if you started the internationalization again?* Dave: Yes, well ((laughing)). Doing everything less opportunistic, simply approaching everything with a better plan. Derek I guess a solid research for various countries, probably could have made things a bit easier. Dave: That’s the plan for the next three to five years […]. But there we also selected eight countries for the next years, where we say that this is now the area of focus, and within this we’ll prioritize again what we approach, and in what way. We don’t want to do everything in parallel and then just dawdle along, no, we say, we will do and complete it in a sequence. I mean it is more a plan of action. Dave: So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market opportunistically since you would simply burn too much ground. In small markets or in Europe, this works. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit […]. Dave: [A key hurdle] probably is the ‘know-how’ in the company how to handle the foreign business properly. So everything regarding the foreign business in general, how that works […]. Daren: […] it already became much more structured. I believe in the area of market entries, previously people just approached us and said: “I’m from Italy and I want to sell your product”. Now we actively search and compare, at least from my point of view.

		Derek We are trying to avoid own subsidiaries wherever possible since this is a completely different level in terms of the internal setup.
F5	I: ML C: MH	Eddy: This [the market definition] was done as part of the strategy process for the whole company, where we thought about where our markets or customers are. […] They [the customers] also show up automatically during the fairs. Elias: Yes, we now start getting active in the business development field. But you have to be really careful, since today everything seems to be interesting and great but you also have to verify the potential for later. And, as a small company, you of course take every sales opportunity you get […]. Erik: The main objectives are the re-establishment of fixed sales structures in the four Asian core countries A, B, C and D and a roadmap for the expansion into the Tiger states, probably in the sequence of country E, F and then G. Eddy: Yes, we of course discussed […] how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want. Erik: Outside of Europe, it doesn't make any sense for us from a cultural, financial or networking perspective to get active ourselves.
S1	I: ML C: ML	Fred: It was not until Frank joined the team that we though well, as a matter of fact we want to internationalize. Then we started searching which ones are the largest e-commerce markets […]. Frank: Well, what should I say (...) very pragmatic (...) a little bit of market research, checking which markets are attractive. And, well, then it started, you first have to analyze the market conditions, which players are present, is there any competition, so basically a small, pragmatic competitor analysis. Fred: Complexity [was an internationalization hurdle]. [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. Frank: We already wanted to enter Northern European country B much earlier, last year, when also entering European country A. But we then had to realize that this wouldn't work, that we were still struggling with too many topics in parallel. So on short notice we decided not to follow up for the moment since it wouldn't make sense tackling too many issues at once. Fred: […] by now we have a to-do list with things we need to check off when internationalizing. It is not the ultimate blueprint yet, but actually, we are currently working on it and I believe that by the same time next year, we should be capable of taking a maximum of two months for the process from the initial thought about the entry into a new country until having completed the entry. At least that's how I picture the future. I mean, we are now developing a blue print which we will then apply again and again […]. *Interviewer: Is there a standard process you apply when entering a new market? […]* Francis: Not as far as I know ((laughing)). I think it's more like "we want to enter this market, what do we need?" Fred: Yes, with the own subsidiary in Northern European country A, we made the experience, that we did not think about legal and tax related questions enough in advance. *[…]* It all just happened little by little, so it was first driven by the market and then the legal and tax related aspects broke down on us.
S2	I: L C: L	Gale: Our primary focus is on Germany, but we of course won't miss out any opportunity that arises […]. Pretty soon, a guy from Asian country B approached us, who by now became a power seller and we supported him in this development. Gale: I mean, we take whatever pops up opportunistically […]. Gary: […] abroad, some firms also approached us directly. For example in Northern European country A, they called us and said "hey, we'd like to sell your product" and I was like "Great, it's cold in your country, you need our product". Gary: […] we also have to focus on the markets where we are present right now, e.g. the German, Austrian or the Western European market, where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe. Gary: […] we already had some shops abroad but we first had to learn that we are struggling without distributors. We underestimated this, and we are now catching up. Gary: […] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough. If we enter a new market; we either need a sales agent or a distributor who really knows the market […]. Gale: I mean, the process actually always is finding a sales agency that is a good fit and that represents what we want to represent. And then we want to start the PR in this country more intensely, and then we kick it off. Gary: […] especially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […] there we simply need know-how, independent know-how […]. Gabi: […] especially for more complex markets such as Central European country A, where you simply have to be present in the market, we are really testing and experimenting on a very costly level
S3	I: ML C: ML	Hardy: Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C. […] This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up. […] So, yes, theoretically we approached the markets based on size. But there's theory and practice. Hans: To my best knowledge, there is none [a defined internationalization process]. But I guess that's exactly what I was trying to say before; we are simply not enough people to look into things more profoundly Hans: For the moment I think, many distributors we meet are approaching us directly. Hans: For the moment, we basically don't follow up on this [analysis of the market potential]. Hardy: There is no way we can circumvent the internationalization. The question only is at which pace and with how much effort. We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. Hardy: Everywhere, where we don't have a distributor, people can buy in the web shop. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.
S4	I: L C: ML	Ian: The first step was totally opportunistic. Someone from Northern European Country A showed up since we grasped his attention. Ian: An intern once did a project and screened the market. We obviously did that. So, let's say a basic estimation on the attractiveness of different markets, derived more or less systematic. Inga: It could also have been an American country. […] And then we just said: "Let's try out Northern European country B!" Inga: In a startup, you can't just make a big plan and implement it piece by piece, you simply get started. Ian: I would plan and communicate more clearly. We have a culture of "let's get started" and we then go step by step. But now it all gets complicated and difficult, I mean it basically creates a new dimension of complexity which has to be solved on the communication side.

	Ian: I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other. Inga: We can't just try out things here and there in a startup style anymore; we have to plan things now. And then we or I sat down […] and wrote a road map, so which steps we'll do next. We are now trying to implement piece by piece if possible. And then, there are always new things coming up, we are learning continuously.

Abbreviations: I: Initial; C: Current ; H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 15: PES and internationalization process capabilities
Source: Own illustration

In the following, the impact of a high PES on the organizational adaptation capabilities will be analyzed.

5.4.2 Organizational adaptation capabilities

The data revealed that PES and the resulting internationalization related complexity also caused the formation of a second set of internally oriented capabilities – *organizational adaptation capabilities.* Building on definitions of related capabilities (for example by Fletcher et al. (2013)), they are defined as *the abilities to dynamically adjust the organizational structure and processes to function competitively in the international setting.*

The *adaptation of organizational structures* refers to adjustments of "the arrangement of workflow, communication, and authority relationships within an organization" (Covin & Slevin, 1991, p. 17) and was manifested in the data as adjustments of the overall structure (such as the creation of a 'matrix-organization'), the formation of departments or the change of roles and responsibilities, and the hiring of key employees. *Adaptations of organizational processes* refer to changes in both internal processes, such as knowledge management and communication processes, and external processes, such as logistics.

INV research already analyzed the beneficial impact of certain organizational characteristics on the internationalization, but did not conceptualize organization related capabilities so far. Oviatt and McDougall (1994) suggested that the reliance on alternative organizational structures such as hybrid partnerships or network structures facilitates the acquisition of resources, provides flexibility and cost savings potential and thus is an important enabler for the early expansion of ventures. Kocak and Abimbola (2009) analyzed the impact of the organizational structure on INV performance and revealed that a formalized, centralized and departmentalized organizational structure has a clearly negative influence on innovativeness and ultimately performance. Finally, Jones and Coviello (2005) proposed that the organic vs. mechanistic[37] design of the organizational structure has a strong impact on the

[37] Please see chapter 2.3.4 for more details.

internationalization behavior (e.g. the rate and intensity of the internationalization, the market selection and entry mode choice) and ultimately on firm's financial performance and non-financial performance (organizational learning).

Insights into the concrete measures and skills underlying the organizational adaptation can be found in the MNC context. For example, the establishment of specific types of structures (e.g. a matrix organization) (Franko, 1976; Stopford & Wells, 1972), the creation of coordination and control mechanisms (e.g. formalization) and decision patterns (e.g. centralization) (Martinez & Jarillo, 1989; Schollhammer, 1971; Wiechmann, 1974) as well as the establishment of organizational norms and values or the use of specific internal communication vehicles (including task forces, conferences, frequent travels and personal contacts) (Bartlett & Ghosbal, 1987) were already suggested to be important levers for improving the organizational structure and processes.

Table 16 gives an overview on the capability level and underlying activities across all startups. Overall, startups with a higher PES and complexity level developed organizational adaptation capabilities much more intensely than the 'slower' counterparts. However, F4 and particularly F5 are exceptions, showing a relatively low capability level despite a high PES.

F1 and F2 are examples for very strong initial levels of organizational adaptation capabilities, and both ventures further improved these skills throughout the internationalization. Even before the first market entry, F1 hired Arthur as International Development Manager and asked him "to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like" (Arthur, l. 321-322). In addition, Arthur hired locals from the target countries before entering these markets to assure a good "preparation" (l. 325) and to become more familiar with local "market particularities" (l. 326). Venture F2 even formed an own entity in charge of the internationalization and enriched the management team with three highly experienced entrepreneurs, who all took over important roles in the international expansion of the company (Brandon became Co-Founder and Co-CEO, Bert Co-CEO International Business and Brian Co-CEO European Business). Furthermore, F2 created a business development department that supported the countries in the early development and that covered F2's "new market development" (Bernd, l. 97) activities, and started "sourcing a local team" (Brad, l. 229-230) per country, mostly led by an experienced country manager.

Nevertheless, both ventures still struggled with organizational challenges – and responded to these challenges by further improving their capability level. F1 according to Arthur initially "did not know how to ((stumbles)) set up the organization" (l. 343-344) to ideally deal with complexity emergent from the fast expansion, and, as Adam added, was forced to implement structural adaptations:

> "[D]ue to the brutal management effort, we were forced to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier. Otherwise, the attention would have suffered too much" (l. 844-847).

Consequently the venture changed responsibilities to achieve a better knowledge transfer, hired more senior country managers and was even considering adjusting its overall structure towards a "matrix organization" (Andrew, l. 248).

Similarly, F2 still struggled with organizational complexity resultant from the fast international expansion. As Bill summarized: "One of the effects indeed is that people initially do not know what is just happening here, who are my counterparts (...) a bit of uncertainty and a bit of chaos regarding the structure" (l. 588-591). But as Bill added, F2 "counteracted very, very strongly" (l. 615) by defining clear responsibilities and creating full transparency, by continuously working on its organizational footprint and by creating a shared vision to make sure that they "are all working along similar lines and running in the same direction" (l. 599-600) and share a "feeling of solidarity" (l. 606). Field notes confirm that the vision statement was explicitly phrased and highly present throughout F2's office (even illustrated via pictures and statues).

F3 initially showed a lower capability level than F1 and F2 and considerably struggled with the complexity and the organizational challenges caused by its fast internationalization. For example, the team struggled with the organizational structure and the sales and marketing set-up. But, as Carl added, the venture proactively addressed these challenges and for example optimized its organizational structure: "[W]e did it [adapt the organizational structure] for the internationalization, or actually we had to do it. I think we have restructured it three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities" (l. 485-489). Moreover, the venture hired Claudia, a very experienced sales director, and put her in charge of structuring the sales process and building a sales team, hired more "product and application experts" (l. 391-392) to better support both the sales department and the distributors, and started hiring international employees based on "our language and culture matrix" (Carl, l. 505-506) to achieve a high understanding of the particular markets. At the time of the interviews, the share of international employees was already around 50 percent.

All three ventures (F1-F3) moreover considerably improved their organizational processes. For example, Adam (F1) underlined that the internationalization resulted in considerable process improvements and "was the early trigger why we have to do some things more professionally now" (l. 904-905). Further emphasizing the impact of complexity, Adam added:

> "[W]e abruptly raised the complexity and this triggered a necessary improvement process. You can probably phrase it like that, not a surprising but an earlier, ehm ((looking for words)) standardization and professionalization process" (l. 953-957).

He concluded that the internationalization was "like an accelerant" (l. 947) for all processes. In the same vein, Bernd (F2) pointed out that the high complexity triggered an increasing professionalization for F2 and Chris (F3) added that the internationalization "brought a lot of dynamics into many activities […] it contributed a lot to the quality of processes and products" (l. 769-777). As he exemplified, "project plans got more rigid" (l. 914) and "the process of working with distributors became more rigid" (l. 386). Claudia (F3) added that due to the fast growth, there "are a lot of processes that we already changed and a lot where we know they potentially should be changed but we haven't changed them yet. That's really an ongoing thing. The more you grow, the more you have to do. […] it's an ongoing change process" (l. 1084-1088).

F4 and particularly F5 showed considerably lower organizational adaptation capabilities. Both ventures struggled with organizational challenges resultant from the fast internationalization. For example, Derek pointed out that since F4 internationalized "very quickly, we […] have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive" (l. 371-374) and he added that "we have to stabilize the setup so that it all works out in the long run" (l. 768-769). In the same vein, Eddy admitted that F5 struggled with organization challenges such as "how to organize everything" (l. 247) and how to "handle the so-called knowledge transfer" (l. 248-249). Nevertheless, only minor organizational adaptations could be observed. F4 still did not work with job titles, had unclear responsibilities and a so far unadjusted and still very "lean" (Dave, l. 399) structure. The only adjustments were hiring a support staff for the sales and operations area and initiating first process improvements such as "making much more documentation" (Dan, l. 1024) or holding internal feedback sessions. For F5, the hiring of Elias as Head of International Sales as well as improvements of specific details in the sales process were the only observable adaptations.

Summing up, most startups internationalizing at a high PES-rate and struggling with a high complexity level responded by forming organizational adaptation capabilities and by considerably improving their organizational structures and processes. F4 and particularly F5 stood out since they formed these particular capabilities to a very limited degree despite facing a high internationalization related complexity. The reason for the surprisingly low formation will be explained in chapter 5.8.

In contrast, the data revealed that the 'slower' startups, facing less internationalization related complexity, showed a much lower level of organizational adaptation capabilities. For example, S1 according to Fred, initially adjusted the organization "simply not at all" (l. 396). Struggling with organizational challenges and realizing that "we can't internationalize without having additional experienced people on board. I can't do this all myself" (Fred, l. 418-420), Fred hired Frank as managing partner and several sales people (e.g. a head of sales for Germany, Austria and Switzerland and a country manager for Northern European country A). But the venture still struggled with organizational challenges, did not create a clear structure and according to Francis had "no central coordinator" (l. 336) although, as he added, "you would need somebody who is coordinating everything from the top, so that everything works out well and that people don't run around doing their own things like a swarm of insects" (l. 339-341). The organizational processes also remained a challenge for S1. CEO Fred stated that "we depend upon defining our processes more clearly and upon thinking how to streamline the organization" (l. 646-647).

Similar patterns were observable for S2, S3 and S4. At S2, no adaptations apart from the planned hiring of an employee in charge of international PR were observable. S3 did not hire additional people despite having increased the international footprint, which according to Hardy "obviously doesn't work in the long run" (l. 449-450). As he added, these capacity bottlenecks even constrained the venture in working with distributors and in handling the related complexity: "[T]he effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it" (l. 356-358). Finally, S4 showed first responses to the "additional coordination effort" (Ian, l. 571) and "the additional complexity related to the organization" (Ian, l. 570-571), for example hired an Internationalization Manager and a country manager for Northern European country A and introduced coordination routines.

To conclude, the interview data revealed that most startups with a high PES responded to the resultant complexity by forming strong organizational adaptation capabilities while all 'slower' startups formed these capabilities to a very limited degree. F4 and particularly F5 stood out and only formed these capabilities to a relatively low degree despite a high PES and a high resultant complexity. The reasons will be explained in chapter 5.8.

Survey data and field notes corroborated the general pattern identified. Survey data evidenced that ventures confronted with a high PES driven complexity showed organizational adaptation capabilities by hiring key personnel and particularly international employees. The comparison of the percentage of international employees from total employees (in 2012) uncovered that high PES ventures (F1 to F5) on average had 56.25% international employees while for low PES ventures (S1 to S4) on average only 21.67 % of employees were international. This difference is statistically significant at a marginal level ($t(5) = 2.07$, $p < .1$). The survey data furthermore confirmed the considerable difference between high and low PES startups with respect to the knowledge management capability, a central organizational process based on the interview findings. The mean difference in the self-assessed knowledge management capability of the high PES ventures and the lower PES ventures was considerable (mean = 4.75 and mean = 3.21, respectively) and statistically significant ($t(7) = 2.51$, $p < .05$). Field notes further supported the particularly high organizational adaptation capabilities of the fastest ventures (F1, F2, F3). First, these ventures also seemed to be the most international organizations. For all three, the corridor talks were in various foreign languages and the observable share of international employees was exceptionally high. This could not be observed at any other startup. Second, their offices were characterized by large open-plan offices (F1 and F2) – sometimes even one shared office for all country teams (F1) – and spacious recreation rooms with table kickers and so on (F1, F2, F3), which fostered the communication and the exchange of ideas. Offices of all other startups were predominantly characterized by individual rooms and small common areas. Moreover, field notes provided additional indications for S4's HR bottleneck and process related issues. The founder arrived late for the interview, which had to be interrupted after one hour due to 'urgent issues'. In addition he arrived late for the second interview and only after a reminder since he 'almost forgot' the appointment.

Summing up these findings, the following proposition is derived:

> *Proposition 2b: For INVs, internationalization related complexity mediates the positive relationship between PES and the formation of organizational adaptation capabilities (improved structure and processes).*

Venture	Rating	Statements from the interviews
F1	I: MH C: H	Adam: Well, as I said, we have hired a guy, Arthur, who did this [the internationalization] as a project. This was good, this was very good. Arthur: In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like. Arthur: Well, my initial role was setting up the team, building that all up, and now it is ((pauses)) bringing the countries into the next level. Arthur: We got the people that are now working in Munich from the countries directly. This was so to say the preparation. So I prepared the team with respect to our requirements for the markets. They know the market particularities and have implemented it accordingly. Arthur: Initially, we did not know how to ((stumbles)) set up the organization. Do we still want to have local teams after half a year since we are convinced the market works well? […] By now we are having a clear structure and our organization has changed in the sense that I am now working more with American country A and Asian country A in order to generate this knowledge transfer, to foster the exchange. Adam: But I think due to the brutal management effort, we were forced to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier. Andrew: We are now thinking: Wouldn't it make sense to locate the Dutch customer service in the customer service department as opposed to in the international team? Just as in a matrix organization, you would take it out and place it in another department. Adam: Exactly, the internationalization was the early trigger why we have to do some things more professionally now – and consequently things have changed. Adam: […] we abruptly raised the complexity and this triggered a necessary improvement process. […] an earlier, ehm ((looking for words)) standardization and professionalization process. Adam: [The internationalization] is like an accelerant.
F2	I: MH C: H	Bill: When Brian joined the team as CEO, this might have changed a bit since it is fair to say that Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit […]". Bernd: It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. The second thing is that we have some kind of a steering role […] and then there is also some kind of a consultant role, whereby we are also actively intervening. […] And the third thing is a bit of new market development. Brad: If we do greenfield, we are staffing the team; the team usually consists of a venture partner, who is some kind of an interim CEO. This venture partner mostly comes from the holding and already has experience in the business. So he knows how we do sales, how we… he knows what is important to us (...) and then we are sourcing a local team, this is really important […]. Bill: […] one result, one effect was an initial chaos but then we realized it and counteracted very, very strongly […]. Bill: One of the effects indeed is that people initially do not know what is just happening here, who are my counterparts (...) a bit of uncertainty and a bit of chaos regarding the structure. This was one of the negative consequences I guess… but I believe we figured that out quite well. So I would say one omission of the first two years or one year and a half definitely was that we did not have a clear company vision, no clear objective […]. But due to the whole internationalization, with different companies, etc., this became very strong. You cannot manage every market, which means you have to make sure people have the shared vision that they are all working along similar lines and running in the same direction. One effect of this is that we are now having a very strong feeling of solidarity […] a very strong 'we against the world' feeling. Brad: An important success factors for a company, or actually for all startups is defining responsibilities very clearly. So everybody has to know, what his responsibilities and his targets are – and this also has to be known in the group, which means full transparency is absolutely essential for me. Brad: The organization as such, i.e. who is responsible for what, has obviously changed. This changes permanently, so if you took a blue print from the organization chart, it would be valid for exactly three weeks since simply… an additional market is added, so it is all in a continuous movement. Brad: […] first and foremost, we were a smaller team and due to this very aggressive; now we are larger and more international and thus you have to align more and communicate a bit more *which makes us a bit slower I would say.* Bernd: […] it is a platitude, but it became more professional. You improve, there are some processes you simply can't do any more in the way you did half a year ago.
F3	I: ML C: H	Chris: I guess one weakness when you are a spin-off from the university and are starting from the technology side always is that the areas of marketing and sales are neglected a little bit. […] However, in the meantime, we focused on building up our own sales team with dedicated sales people. Carl: […] we are constantly adapting it [the organizational structure] ((laughing)) […] we did it for the internationalization, or actually had to do it. I think we have restructured it three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities. Chris: What we actually did is that we internally searched for and trained more product and application experts. Particularly in the course of the internationalization. Carl: And we simply look into our language and culture matrix and in case we recruit new employees, we see to get our desired language and desired culture. Claudia: In fact all processes have changed if you look at it like that. […] There are a lot of processes that we already changed and a lot where we know they potentially should be changed but we haven't changed them yet. That's really an ongoing thing. The more you grow, the more you have to do. I mean, a lot is compensated by the effort of the individuals – but not in the sense of the structure. So you can definitely say it's an ongoing change process. Chris: I guess the thing really is that it brought a lot of dynamics into many activities. […] So, from my point of view, it contributed a lot to the quality of processes and products. *Interviewer: Did the increasing international presence have any impact on the complexity or even the manageability of the company?* Chris: I don't think so ((hesitating)). I even think it rather contributed to the optimization, particularly since the processes improved. Chris: I guess the external communication in particular [has improved]. […] Especially the project plans got more rigid.
F4	I: L C: ML	Derek Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand, we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here. *Interviewer: Have you somehow adapted the company structure?* Dave: No, not really. That's also because we are very lean ((laughing)). Inga just joined us around two or two and a half years ago, which means for all the first steps I was basically alone […]. Daniela: […] we are currently trying to define processes and to see how things can be improved, and to document this so that you can

		recap how it is done and that you do it alike. Daren: [The main objective is] that I am now trying to incorporate the structures that we are currently trying to build also in my field of work more and more […]. And ((hesitating)) that I redefine these fields more properly, simply because I said that it is all a bit fuzzy. You should define and divide clear areas of work. Dan: […] we started making much more documentation. We started doing more meetings where we discuss everything related to the specific areas. Because due to the internationalization, even in a small company, many people are not informed anymore what is happening. […] We introduced quite a lot of standard procedures there. Derek [The objective] basically is working more efficiently, allocating the time more usefully, raising the quality level, putting it all on a broader human resource basis and thus making it more sustainable […]. Derek And now we obviously have to continue the path we stroke a bit more professional and more focused, and we have to stabilize the setup so that it all works out in the long run.
F5	I: L C: L	Eddy: Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. Elias: I am responsible for the global sales, which is very internationally oriented. I take care of the representatives, take over some marketing tasks and, as a divisional director, am also involved in the management in the broadest sense Erik: For a company of our size, business development always is the job of the CEO. Erik: The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […].
S1	I: L C: ML	Fred: [How we prepared] on an organizational level? […] Not at all, simply not at all. Fred: […] the main change was that Frank joined the team as a partner since I said we can't internationalize without having additional experienced people on board. I can't do this all myself. This was the most incisive event, which then triggered additional things […]. Fred: Well, we depend on introducing intermediate levels, we are currently doing this and we partially already did it. We have an IT director and an own sales director for Germany, Austria and Switzerland. And this won't be the last intermediate levels we apply. Francis: […] there also are no true departments, there's a small department in the sales area that is now emerging since more sales people joined the team. But other than that…. Fred: Yes, we depend upon defining our processes more clearly and upon thinking how to streamline the organization. The requirements for the employees are constantly increasing. Fred: We are constantly working towards efficiency increases in the processes. Our maxim is having rather less than more personnel and we basically live this by hiring nobody unless it is totally necessary. And this causes us to constantly thing about efficiency increases.
S2	I: L C: L	Gary: […] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets. Gale: […] the only thing is the PR, where Gabi currently has a focus on Germany. Here we would need somebody to cover the American country A – or she must do it.
S3	I: ML C: L	Hardy: Well, we of course have somebody in charge of organizing the sales stuff, i.e. somebody who is writing offers, who reworks things and who is handling the orders. […] And then I have an assistant, who helps with the communication with the distributors. […] But all the Q&A part, for example if a distributor says "I have a customer who has this question and that problem, can you do this and that", this all goes over my table. Hardy: We reduced the staff and increased on distribution efforts. This obviously doesn't work in the long run. Hans: But I guess that's exactly what I was trying to say before; we are simply not enough people to look into things [the internationalization process] more profoundly. Hardy: Well, I haven't hired anybody. We already briefly discussed the issues with the org chart. I don't have a product manager or a sales manager who is driving and looking around and is (…) no. Hardy: […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it. Hans: Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time. You simply develop automatisms, manual automatisms to be able to handle everything […]. Hardy: Yes, we of course tried optimizing the primary processes based on every contact and every communication with people […]. The classic initial validation of potential distribution partners has changed. Hardy: Perspectively, it's just like that, the more manpower you have in order to coordinate things and pull the strings, the more sense it makes to address certain advancements that we should or have to do, such as the automation. […] Currently, we are aware of it, but we haven't done it yet.
S4	I: ML C: ML	Ian: […] I have to try to manage the additional complexity related to the organization and the additional coordination effort. That certainly is the main topic […]. Inga: […] in autumn we decided that I will be responsible for the internationalization of S4. And for the moment, we are trying to build a team for Northern European country B in order to get the launch done. Inga: […] after we tried out this and that throughout the whole year I have said: "Ok, I'll create a roadmap now, we have to sit down and structure things now." Inga: We just hired a local from Northern European country B in order to counterbalance the cultural differences. Since we are convinced that we don't understand this market as well as somebody from there […]. Inga: That definitely is one of the biggest learnings. If you enter a foreign market, hire locals from that country. Ian: Basically, we have tried building some form of a project-oriented matrix organization. That's the master plan that Inga made.

Abbreviations: I: Initial; C: Current ; H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 16: PES and organizational adaptation capabilities
Source: Own illustration

In the next chapter, the formation of externally oriented capabilities will be discussed.

5.5 Post-entry speed und externally oriented capabilities

As the data revealed, ventures not only developed internally oriented capabilities as a response to the increasing complexity faced. Being young and resource constrained, these ventures seemed to place a particular focus on gaining and leveraging the support of two types of external stakeholders: External supporters (especially investors) and foreign distributors. Consequently, they formed specific capabilities directed towards these external parties: The *capabilities to leverage external supporters* and the *capabilities to leverage foreign distributors*. These capabilities will be discussed in the following.

5.5.1 Capabilities to leverage external supporters

The data revealed that, in response to the internationalization related complexity, some startups developed strong externally oriented capabilities which enabled them to intensively use the support of external partners such as VCs, business angels and incubators. This skill set is termed *capabilities to leverage external supporters* and, building on Kuivalainen et al.'s (2010) definition of financial capabilities, is defined as *the abilities to attract and use financial and non-financial resources provided by VCs and other supporters*. The underlying indicator that emerged from the data is the *involvement and value-added* ventures are able to achieve. The involvement was found to include measures such as a frequent interaction with and a proactive inclusion of the supporters in key decisions and even operative activities (e.g. meeting with potential customers). The value-added reflects both the financial (monetary) and non-financial support received.

Prior research already showed that VCs or related supporters can be of high importance for their ventures since they are able to provide a rich set of valuable support (Chen, 2009; Fernhaber & McDougall-Covin, 2009; Fried et al., 1998; Large & Muegge, 2008; Mäkelä & Maula, 2005; Sapienza, 1992; Sapienza & Manigart, 1996). As Large and Muegge (2008) suggested, this support not only includes *financial value-added*, that is direct monetary support but also *non-financial value* such as the provision of legitimation and outreach, of mentoring and consulting, recruiting and mandating, strategizing and operating.

Surprisingly, the impact of this capability or related attributes such as VC ownership on venture internationalization caught little research attention so far. The few studies mostly took a 'driver perspective' and analyzed the impact of VC ownership on international activities (Carpenter et al., 2003; Fernhaber, 2013; George et al., 2005). One study analyzed the impact of VCs as a contingency of the (SME) internationalization-performance-relationship and reported a positive relationship (Kuivalainen et al., 2010). Moreover, while researchers mostly focused on VC *ownership*, only one article pointed towards the importance of the underlying *capabilities* ventures need in order to maximize the beneficial impact of this support (Kuivalainen et al., 2010). This study suggested that ventures need to build financial capabilities (which includes gaining "investment expertise, connections to investors and financial control system" (p.148), and an underlying ability to persuade investors (i.e. maintain and expand the network with them) in order to increase the benefits for the international expansion.

As the case data in this dissertation revealed (cf. Table 17), most startups with a high PES (particularly F1, F2 and F3) responded to the internationalization related complexity by forming strong capabilities to leverage their external supporters, while 'slower' startups showed a considerably lower leverage capabilities. F4 and F5 are exceptions, showing a relatively low capability level despite a high PES.

F1, F2 and F3 were all able to attract several external supporters. F1 and F2 were both supported by an incubator and several VCs, F3 by several private investors. Moreover, all three ventures received major financial support from their investors. For example, F1's seed-financing already included budget for several international markets and was followed by a second large-scale fundraising for an aggressive international expansion. In addition, all three ventures could actively leverage the non-financial support from their respective investors.

F1 was able to attract particularly strong support from an incubator, which according to Adam actively helped the team handle the major internationalization related challenges and complexity fields by assisting "exactly on the biggest pain points" (l. 632). Andrew mentioned that the incubator for example helped with the market selection: "[T]he investors […] said: "You should approach this" or "why don't you look at this? It worked very well for other companies"" (l. 147-149). Arthur added that the investor actively supported the team in the entry process. As he stated:

> "[B]ased on the experience from the global rollouts which they have done pretty successful and since quite some time, [the investor] told us exactly how to do it. Thus we had the best strategic partner, who was not involved on an operational level too much" (l. 431-434).

For instance the incubator advised the team to avoid any localization "since [country] differences are not as big" (Andrew, l. 300), eased market entries by providing local office space, "temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever" (Adam, l. 620-621) and network access. Andrew summarized the overall value-added: "[Fostering for the internationalization] definitely were the investors we got in December since they have internationalized extremely often before and have pushed us very intensely to enter many countries very fast" (l. 521-523).

Similarly, F2 was able to capture a lot of non-financial support that eased handling the internationalization and the resultant complexity. For example, CEO Brad underlined that the "capital and network" (l. 435) provided were two key drivers behind the successful internationalization. As he added, F2 actively involved its investors in the internationalization and that they for example fostered the expansion by facilitating a "conjoint exchange of experiences" (l. 285) with "contacts to local business partners or people that have built up something comparable for another company in this market; where you can then simply grasp their knowledge or do things together" (l. 443-445) and by providing very experienced managers as "interim CEO" (l. 227).

For F3, the importance of the external support was described by Claudia as "extremely important I have to say. I mean, it wouldn't work without them" (l. 841-842). Carl stated that the investors motivated the company to approach the internationalization "more professionally" (l. 474) and "more structured" (l. 474) and that especially one investor was "bringing in a lot of structure and many contacts" (l. 758-759). As Chris added, the fact that the investors "have already internationalized [comparable] products" (l. 671) particularly eased the internationalization, since they could share valuable experiences and guidance:

> "I would say we were always well prepared [for the internationalization] [….]. Also due to the fact that we had the advisory board at our disposal who told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry" (l. 575-580).

For example, the investors supported the market selection by providing an excel based prioritization model, and, as Chris recapped, influenced the entry mode choice, recommending the venture to "better work with an established distributor" (l. 1081) instead of entering markets directly to keep the complexity manageable and the financial commitment limited. F3's high capabilities to leverage the external supporters are further supported by field notes. Directly before the interviews, the team had a four-hour workshop with one investor and according to Chris discussed strategic aspects including the further international expansion.

F4 and F5 showed considerably capabilities to leverage external supporters. F4 was still self-financed and did not have external investors, but according to CEO Dave had “a handful of people who is supporting us, who we meet on a more or less regular basis in order to create an exchange of experiences and to also get external feedback” (l. 863-865). F5 was already in its fourth financing round at the time of the interviews and had several private investors, but according to both founders did not receive any value-adding non-financial support (apart from quarterly reviews and planning pressure). CTO Eddy pointed out that their investors can’t provide strategic support since“[t]hey don’t have the manpower and they don’t have the expertise for it” (l. 623-624) and CEO Erik confirmed:

> “You get an advisory board, which of course has a consulting and coaching function. […] However, he once implemented one successful concept in one particular market 20 years ago. […] You of course get advice, and you also get it vigorously, but you at some point have to realize that you are living in different times now. […] You won’t win a teacup with a strategy from the early or mid-nineties in the year 2012” (l. 882-892).

Interestingly, both ventures underlined that proper external support would be valuable or even required. Derek (F4) admitted: “Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think” (l. 472-474). In the same vein, Eddy (F5) stated that for future financing rounds, they would prefer a strategic investor with industry experience since “it would of course be interesting to do more marketing and sales via his network” (l. 629-630).

Summing up, all fast-internationalizing ventures tried to leverage their external supporters to reduce the complexity faced. F1, F2 and F3 actively interacted with their respective supporters and benefited from a wide range of value-adding support. F4 and F5 benefited considerably less. F4 lacked financial support and F5 non-financial value-added. The data moreover revealed that the ‘slow’ internationalizing startups only formed these specific capabilities to a very limited degree.

For example, S2 decided not to have any external supporters but to keep its independence – although the team admitted that the lack of both external financing and internationalization related knowledge were key growth constraints for the venture. As Gale summarized: “On the pro side, you get a lot of cash at once, on the contra side, they want to have a lot of cash back at some point in time and the investors also want to have an influence […] you get a lot of valuable hints, but some investor also want to push you into a certain direction” (l. 501-506).

S1 and S3 had investors. However, in both cases they only provided financing but did not support the internationalization (or even actively slowed it down). As Fred (S1) exemplified:

> "We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently […]. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel" (l. 398-405).

As Fred added, S1 also had "no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d" (l. 567-569). In the same vein, Hardy pointed out that S3 had to finance the internationalization "completely from our own funds. Consequently, it always only happened alongside" (l. 618-619). As he added, the investors emplaced a lot of pressure but did not provide any value-adding support. "Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C […]. This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up" (l. 395-401). Interestingly, both ventures also revealed a rather negative attitude towards additional external supporters. Frank (S1) stated that they decided not to seek additional support since they "prefer remaining self-determined instead of being determined by others" (l. 305-306) and Hardy pointed out that few investors or consultants "were already in the local market, they just use their networks […] you are always ((hesitating)) getting similar information" (l. 761-764).

S4 leveraged its external supporters a bit more active. Apart from (major) financial support, the venture also received non-financial support such as seminars and networking opportunities. But Ian stated that networking support is mainly limited to the option of proactively making "one-on-one deals" (l. 519) within the VC network, which S4 only did "two to three times a year" (l. 453). Inga added that S4 "would really need more support" (l. 572) for example with respect to seminars and trainings, and emphasized that the VC did not provide any help regarding the internationalization.

To conclude, the analysis revealed that fast internationalizing teams leveraged their external supporters to a significantly higher degree as compared to their 'slower counterparts'. F1, F2 and F3 are excellent examples for an intense leverage of the financial and in particular the non-financial support and consequently for a highly enhanced ability to handle the internationalization related complexity. The analysis also showed that the pure existence of an external supporter not necessarily implied a substantial value-added. A limited interaction due to a perceived or actual lack of know-how and thus value-added on the investor side (e.g. for F5 and S3) and a limited use of existing offerings (e.g. for S4) resulted in a low leverage and consequently in very limited benefits for handling the complexity. F4 and F5 were outliers, showing a lower capability level despite a high PES. The reasons will be explained in chapter 5.8.

These findings are further substantiated by secondary data. Firstly, press research revealed that F1, F2 and F3, the teams with the highest PES and the highest capabilities to leverage external supporters, are the only teams where the closing of another fundraising round after the interviews was published, and for all fundraisings, the internationalization was mentioned to be an essential aspect (web_06-web_08). This further substantiates the high ability of these teams to attract financial support. Secondly, press research corroborates the differing value-added that startups experienced from their respective external supporters. Articles on F1 stated that several investors of the venture already had substantial experience in facilitating the international expansion of its portfolio companies and that these investors also actively involve themselves and support the venture in both operational challenges and international growth related issues (web_09-web_10). In the same vein, an article on F2 quoted a board member who stated that, in order to manage the "rapid speed" it was "extremely important for us having the right investors […] that understand the dynamism of our particular model" (web_11) and a second article underlined the expertise of one investor in internationalizing its financed startups (web_12). For F3, the importance of its external supporters already became visible on the company webpage, where all investors, their expertise and value-added are prominently presented (web_13). Several articles further underlined their critical role. For example, in a press interview, CEO Chris emphasized that the investors not only supported the internationalization monetarily but also with shared experiences and active growth support (web_14), and in another article Chris underlined that one investor particularly helped with both strategic decisions and daily hurdles (web_15). For all other startups, the role and impact of external supporters was barely observable in press research. One article on F5's main investor could be found – which however revealed that this VC is very locally oriented and that his key investment aim is to foster regional development (web_16). This most likely rather limits the potential value-added for F5's internationalization. An article on S3's financing revealed that the venture considerably struggled finding an investor (web_17). S4 was the only 'slow' startup where a more active role of the investor could be observed (web_18) and where an article underlined the investor's expertise and value-added in the internationalization (web_19).

Summing up on the evidence presented, the following proposition is derived:

Proposition 2c: For INVs, internationalization related complexity mediates the positive relationship between PES and the formation of capabilities to leverage external supporters (improved attraction and use of financial and non-financial resources).

Venture	Rating	Statements from the interviews
F1	I: H C: H	Arthur: Yes, initially we just had a seed round. Through this, we could have handled Northern European country A, Central European country A, Northern European country B and Germany. Then we had the next round and the incubator also saw the potential and, based on the experience from the global rollouts which they have done pretty successful and since quite some time, told us exactly how to do it. Thus we had the best strategic partner, who was not involved on an operational level too much [...]. Andrew: Venture capitalist A was the first investor and from the beginning was in favor of us entering other markets. But they have not pushed it as actively and were more like "hey, have a look at that. This could actually work well for your product." The incubator was more like: "Why aren't you present in 15 countries yet?" Andrew: It [the market selection] was partially driven by the investors who said: "You should approach this" or "why don't you look at this? It worked very well for other companies". So I would say, fifty percent for the investors, fifty percent for us. Adam: […] it is the experience from our incubator, that these [country A and B] are good markets. Andrew: Well, our investor actually also gave us the instruction: "Initially, take all products live everywhere since [country] differences are not as big." Adam: The head of the incubator finds potential candidates; we talk them and say "cool, we want to have them". The candidate then founds and at the beginning gets the full support from the incubator – temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever. […] And the guy from the incubator helps him find an office, employees, etc. This works great. Adam: So the incubator helps exactly on the biggest pain points Arthur: […] the network we got though our incubator. This was extremely important since we for example got our first payment operator from it and could thus roll out a lot of things. Andrew: [Fostering for the internationalization] definitely were the investors we got in December since they have internationalized extremely often before and have pushed us very intensely to enter many countries very fast.
F2	I: H C: H	Bill: So on the one hand this [the internationalization] was a bit driven by the investors, since our investors […] approached us saying "hey don't you want to do additional countries?" Brad: I believe if I should bring it down to two [fostering factors for the internationalization] it would be capital, additional capital and network. Brad: […] this [the preparation] at the end was simply conversations or dialogues within our network, i.e. our personal network, the investor side and the management side. There everybody helps each other quite a lot I guess, as in any community. You just talk to […] companies that are internationalizing as well and then there is a conjoint exchange of experiences. Brad: If we do greenfield, we are staffing the team; the team usually consists of a venture partner, who is some kind of an interim CEO. This venture partner mostly comes from the holding and already has experience in the business. So he knows how we do sales, how we… he knows what is important for us (...) and then we are sourcing a local team, this is really important for us […]. Brad: External [supporters] for me would in fact only be our board and our investors. And there you primarily get support in the form of networking contacts, i.e. contacts to local business partners or people that have built up something comparable for another company in this market; where you can then simply grasp their knowledge or do things together. Bernd: We have the incubator behind us and they are very actively involved I guess, in particular for the management, there is a lot of exchange.
F3	I: H C: H	Carl: […] I guess after the second financing round or the series A, a lot of consultants came on board. […] They joined and simply said: "You should maybe do this a bit more structured, it makes more sense if you want to keep on working more professionally." And in fact the sample for this table was provided by Investor A. We simply took it, I mean adapted it since he did it for different markets and products. Claudia: [The investors are] extremely important I have to say. I mean, it wouldn't work without them. It really wouldn't. Chris: They [the investors] are all med tech entrepreneurs, who have done this before, who have already internationalized products, or more precisely internationalized innovative products in the med tech sector, and I would say that really is 'the one and only'. Carl: Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A for bringing in a lot of structure and many contacts. We gained several distributors through him. Chris: But other than that I would say we were always well prepared [for the internationalization] [….]. Also due to the fact that we had the advisory board at our disposal who told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry. Claudia: And here we had a sales vice president, who supported it [the market selection]. He built up an international med tech startup before. We have a comparable technology regarding the navigation. And he brought in his contacts, which means we could reach distributors who are already involved in this type of technology. Chris: The advisory board discouraged us from getting active e.g. in American country A directly since this basically would be a cash burning machine. Instead, they recommended we'd better work with an established distributor, give away some margin but get a direct market access instead. Chris: They [the other investors] are less actively involved in the internationalization, in questions regarding market entries or strategic decisions, but rather in networking topics or topics like strategic partnerships, exit partners, financing and managerial topics where they are also supporting. Chris: That's a consulting advisory board. We are meeting six times a year, i.e. every second month, and discuss topics from financing to product development, marketing, market launches and regions for two and a half hours […]. And in addition, I am talking to almost everybody on the phone at least once a week and even my colleagues are contacting them pretty frequently. Chris: […] they propose what could be done, but it is on us to make decisions and to implement them. But in case we need any help from

		one of them and we e.g. need an additional two-day workshop or any other support – e.g. if it would be helpful that somebody travelled with us somewhere, or anything like that, that's always possible.
F4	I: ML I: ML	Dave: [...] we don't have a classic advisory board or a board of directors, but there's a handful of people who is supporting us, who we meet on a more or less regular basis in order to create an exchange of experiences and to also get external feedback. Dan: We have an [advisor] from the media area, who is consulting us regarding brand development, etc. Then we also have some support in the PR area and in the quality management. There we do seek external feedback. [...] Dave: That's a former editor of a leading magazine of the industry ((laughing)), who is now working for another magazine and who is very familiar with the industry and the PR […]. The other person is working for a large advertising agency. There we get a lot of support regarding corporate identity, corporate design, […]. So we have everything related to marketing, brand development and communication. And the third person is no founder but the CEO of a large company in the industry […] we exchange views on market entries, pricing, logistics, etc. pretty intensely. *Interviewer: But you for example did not search for extra financing for the internationalization?* Dan: No, not for now. But later, in case we wanted to continue, we would probably need it though. Derek: I guess the need resulted from the company size. Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think.
F5	I: ML C: ML	Erik: You are done with one financing round and already have to think about the next one. And this obviously creates an ongoing planning pressure, which on the one hand is positive but also makes it impossible to get tranquility into certain processes. Erik: You get an advisory board, which of course has a consulting and coaching function. […] However, he once implemented one successful concept in one particular market 20 years ago. […] You of course get advice, and you also get it vigorously, but you at some point have to realize that you are living in different times now. […] You won't win a teacup with a strategy from the early or mid-nineties in the year 2012. But it's hard to convince somebody who was successful with it. Eddy: In there [in the advisory board], you obviously have the investor, who is supervising everything and who wants a business plan on a regular basis. But the investor doesn't actively influence […]. Actually, they can't do this. They don't have the manpower and they don't have the expertise for it. They are in so many different firms. Of course there are some investors that are more industry-specific. That also is the discussion for the current financing round. Do we want a strategic investor or a financial investor? And a strategic investor […] it would of course be interesting to do more marketing and sales via his network. Elias: We have these meetings [with the advisory board] on a quarterly basis.
S1	I: L C: L	Fred: We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently and this triggered the change of partners towards Frank by the way. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel. Frank: […] we are financing the expansion out of our own cash flow. We wouldn't have any problems […] finding investors […]. But we don't want this since we prefer remaining self-determined instead of being determined by others. Fred: […] there were no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d; we didn't have this. Which is surprising, since we searched for it, but couldn't find it.
S2	I: L C: L	Gale: […] it [the external financing] has both pros and cons. On the pro side, you get a lot of cash at once, on the contra side, they want to have a lot of cash back at some point in time and the investors also want to have an influence (...) and up to now we are actually quite happy to be independent. I mean, the influence has its pros and cons again, you get a lot of valuable hints, but some investor also want to push you into a certain direction […]. Gale: […] well, the collection size is definitely minimized by our financial means. Gary: […] especially for markets, where we have no idea, like Asian country A, we are actually thinking about approaching a consultant who could explain to us how the market works, how we should contact people […] there we simply need know-how, independent know-how […]. Gabi: I mean, I am not quite investor-friendly […] I am a big opponent of exit strategies, of companies that are just pushed in order to achieve an exit soon.
S3	I: ML C: ML	Hardy: This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside. Hardy: There is no way we can circumvent the internationalization. The question only is at which pace and with how much effort. We obviously would have preferred finding a global distributor who could offer a one stop service. […] I can't really tell you whether it was the right timing. We probably would have waited a little bit longer if the investors hadn't pushed us as much. On the other side, you are obviously working and learning faster under pressure. Hardy: They [the investors] obviously wanted us to expand into the global markets as fast as possible […]. Hardy: You already mentioned the nice word 'business plan'. […] That's the criterion I will be measured by – although it is actually obsolete by the time I printed it. But it's the reason for a financing, a financing with milestone payments. And if I want to get these payments but I actually am not ready to deliver the according milestones yet, the investor won't give me the money – so I try to deliver (….). I mean, that's something you learn over time. As a young founder, you surrender to the investors much faster than you would if you had done this two or three times before. Hardy: Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C. […] This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up. Hardy: Well, there are many consultants who want to make money, but few of them were already in the local market, they just use their networks. So, it's difficult. You talk to them, but you are always ((hesitating)) getting similar information. *Interviewer: Are the investors frequently involved?* […] Hans: I don't have anything to do with that.
S4	I: MH C: MH	Ian: I took over the operational role under the premise that we really commit a lot of money, that we don't have to discuss about (...) extra rounds or an additional financing in the foreseeable future. Ian: They [the VC] […] are offering let's say infrastructure, which helps us networking and gaining experience. There are meetings, trainings and seminars on the different levels and different functional areas […]. If I fly to American country C, I meet up some people, if I am in Northern European country B, we have dinner together […]. Well, this helps indeed. Ian: I meet up with my colleagues from the incubator from American country C or Northern European country B at least two to three times a year. Ian: From its self-conception, the incubator is a 'network of entrepreneurs'. So the networking works, but you then have to do one-on-one deals on this basis. *Interviewer: How does the incubator support you in the internationalization?* Inga: ((laughing)) I haven't heard of anything. […] No, we really do this all by ourselves.

	Inga: So I just came from a workshop on the internationalization. But I wouldn't call this a training but rather a networking event. But we would really need more support in that area […].

Abbreviations: I: Initial; C: Current ; H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 17: PES and capabilities to leverage external supporters
Source: Own illustration

In the next chapter, the impact of PES and the resulting complexity on the capabilities to leverage local distribution partners will be discussed.

5.5.2 Capabilities to leverage foreign distributors

The analysis revealed that the sample startups formed a second set of externally oriented capabilities which enabled them to better handle the internationalization driven complexity, namely the abilities to interact with and benefit from their respective local distribution partners. Building on conceptualizations of related capabilities by Knight and Cavusgil (2004) and Khalid and Larimo (2012), these capabilities, termed here *capabilities to leverage foreign distributors*, are defined as *the abilities to attract and use direct support (distribution) and indirect support (e.g. marketing and local market knowledge driven innovation support) from local distribution partners.* The two indicators that emerged from the data are the *systematic selection* and the *intense involvement* and consequently maximized value-added of the partners. Intense involvement here reflects the relationship management with the partners, that is "the degree of importer involvement, communication quality of the relationship, long-term relationship orientation, and information sharing" (Lages et al., 2009, p. 51).

Prior research pointed towards a broad range of benefits from leveraging distributors. For example, ventures are suggested to gain a high degree of flexibility to capture international market opportunities despite a small resource pool (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Taylor & Jack, 2013). Moreover, foreign distributors were found to be very valuable for young ventures in coping with their liability of newness and foreignness since they are able to provide insidership and market knowledge (Chen, 2006; Evers et al., 2012; Johanson & Vahlne, 2009; Knight & Cavusgil, 2004; Lu & Beamish, 2001; Sasi & Arenius, 2008), are suggested to be a major source of learning and innovation (Knight & Cavusgil, 2004; Salomon & Shaver, 2005; Wu et al., 2007) and, finally, were found to take over specific downstream activities (e.g. local marketing and customer service) and thus relieve the exporting venture (Knight & Cavusgil, 2005; Skarmeas et al., 2008; Wu et al., 2007).

While INV research so far mostly focused on exploring the impact of 'possessing' distribution partners for superior international performance (Evers et al., 2012; Knight & Cavusgil, 2004), studies in related contexts such as alliance management (Khalid & Larimo, 2012) and studies on mature exporters (Lages et al., 2009; Wu et al., 2007) revealed that firms also need to develop certain capabilities related to building and managing a relationship with these distributors (e.g. based on communication and information sharing, building trust, establishing adequate governance structures, etc.) in order to capture the potential benefits and to enhance the leverage.

Table 18 summarizes the activities that the ventures showed with respect to leveraging their distributors. While F1 and F2 are pure e-commerce startups without foreign distributors and are therefore excluded from this analysis, the data revealed that the other 'fast' startups, in particular F3 and F4, leveraged their distributors far more intensely than the 'slower' startups.

F3 tried entering its first foreign markets directly but soon realized that distribution partners were a major help in handling the entry related complexity. Chris summarized the learning process:

> "From a process perspective, we tried approaching some countries a bit more directly since we thought why always giving away money to the distributors if you can do it yourself? However, by now we are fully convinced of working with distributors […]. They know their markets very well and they are our partners. Thus the process of working with distributors became more rigid" (l. 381-384).

F3 soon developed and continuously improved extremely strong abilities to leverage its distributors. For example, it 'outsourced' a broad range of sales related activities. According to Claudia, "the distributor is acquiring, presenting, selling and providing the service [….]. He also organizes congresses" (l. 402-410). As Chris added, the distributors also support the marketing activities by "specify[ing] what is good practice in the particular region" (l. 466-467) and furthermore provide financial advantages and flexibility since they "actually [are] like a field sales representative who, however, is not on our payroll. In fact, by using these distributors, you don't build up a large internal sales force but rather an external one" (l. 305-308).

To achieve an intense and valuable relationship with its distributors, F3 continuously improved its skill set. According to Chris, F3 invested a lot of time and resources in the selection, qualification and support of its partners. Finding the right distributor became a key strategic process and "the main preparation [for the market entry]. Is he well-qualified, does he bring the necessary sales, is he active in our field, is he aggressive enough, can he handle innovations or only sell standard products?" (Chris, l. 350-352). Moreover, the initial training and qualification as well as the subsequent support of the distributors became very intense and optimized towards an ideal cooperation and leverage of the partnership. An initial in-house introduction of up to two weeks was complemented by conjoint customer visits, roadshows and frequent visits. Carl summarized: “[D]uring the first months, we visit the distributors more frequently. The distributors organize meetings […] with the most important clients and we from F3 join these meetings. And we also provide continuous consulting. So I guess in practice, we have invested around two man-months per distributor” (l. 373-377). After the intense initial phase, F3 according Carl was still interacting with all partners once a week and was visiting them around two to three times a year. Shortly before the interviews, the venture even initiated its first “international distributor meeting” (Chris, l. 590), where all distributors were invited to discuss regional particularities, best practices and related topics. Claudia recapped: “In the past, the distributors came and were trained in this room here. And now, we have done a huge distributor meeting with 30 invited guests […]. It was a huge success” (l. 907-912). Finally, the venture according to Chris even adapted its organizational structure and hired additional “product and application experts” (l. 398) to better support its partners.

Similarly, F4 developed particularly strong abilities to leverage its distributors. Initially, the venture discussed a direct entry mode but according to Derek soon realized that “this is a completely different level in terms of the internal setup” (l. 279-280) and thus decided to avoid the enormous complexity implied and to rely on distributors instead. The first partners were still selected mostly opportunistic and the initial focus was expanding the network, but the team learned that choosing the wrong partners results in weak performance and even failed entries – and that an active partner management is necessary to capture the full benefits. As Dave stated, the focus is now “more on the support side and on the further scaling of the countries that we already entered […]. This either means bringing existent partners to the next level or […] [finding] a new partner” (l. 1107-1114).

According to Daren, the selection process “became much more structured […]. Now we actively search and compare” (l. 262-265) and Dan added that the team developed a standardized “distributor questionnaire” (Dan, l. 578) to evaluate potential distributors. Moreover, process related improvements such as the implementation of a direct delivery concept to local distributors and the decision to only use exclusive partnerships significantly reduced the complexity faced and, according to Dave, eased the cooperation with better distributors: “Now […] we can work on a totally different level with way better qualitatively superior distributors” (l. 742-745).

Finally, the interaction with and involvement of distributors were intensified. For example, F4 started "visiting the major markets for every new collection" (Derek, l. 592-593) and began organizing "roadshows" (Derek, l. 597). Distributors also got more involved in product development and design activities, marketing and strategy. F4 started collecting product feedback based on "template[s] with standardized questions" (Dave l. 623), put distributors in charge of local marketing and brand development, and started to conduct four global distributor meetings per year – two of which dedicated to product presentations, two "on sales topics, on pricing, brand development, marketing activities" (Dave, l. 606-607) and best practice sharing. Summing up the overall benefits of the intensified leverage for F4, Dave added: "[Y]ou have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. *It is a total success model*" (l. 333-336, emphasis added).

F5 formed considerably lower capabilities to leverage its distributors as compared to F3 and F4. While the company realized that it needs distribution partners to get access to both local networks and "exact market knowledge" (Erik, l. 300-301), these partners were selected opportunistically. Moreover, F5 seemed to struggle with the abilities to empower its distributors and to delegate activities. Partners were insufficiently trained to take over tasks such as the project implementation, and concerns about "how to assure the CI and the consistency in the external appearance" (Erik, l. 628-629) inhibited the delegation of local marketing activities. However, the interviews also revealed some problem awareness and first learnings. Erik pointed out that they "really had a learning curve" (l. 898-899) regarding the partner selection and Elias added that a more systematic screening and more intense training would be required.

Summing up, while both F3 and F4 developed very strong abilities to leverage their foreign distribution partners and thus derived a wide range of benefits, F5 was still struggling with the leverage of its distributors. All four 'slower' internationalizing ventures showed a low capability level.

S1, S2, S3 and S4 all selected their respective partners mostly reactive and opportunistic. For example, Gale (S2) pointed out that finding the right distributors is the largest hurdle for S2, and Gary revealed that the partner selection is mostly reactive and based on first impression: "I mean, you don't know them [the partners], you might have met them or seen them a couple of times at some fairs but it is really hard to say how good or bad the partner is. Especially for a company of our size, you can't invest money in order to (...) check or test this" (l. 540-544).

In the same vein, S3 initially tried finding “a global distributor” (Hardy, l. 242) to keep the complexity low, but did not succeed, and thus opportunistically and reactively added local distributors and Ian described S4’s selection process as purely reactive and “purely opportunistic” (l. 168-169).

Moreover, for all slow ventures, the interaction was very passive, the involvement very low and thus the resultant leverage limited. For example, describing the ‘onboarding’ of partners at S1, Fred stated: “So we drove there for meetings with them two or three times, we showed them how everything works, we connected them to our system and then they immediately started off” (l. 268-270). In the same vein, Hardy admitted that for S3, the partner interaction was very passive, market feedback was not passed and that S3 even did “the marketing for our distributors. […] we provide them with all new things we are doing” (l. 349-351). Summarizing S3’s struggle with leveraging its distributors, Hardy added:

> “[T]he effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it” (l. 356-358).

Finally, Ian admitted that S4’s interaction with its partners is “really, really limited. That’s a true problem there” (l. 376-377) and that, as a consequence, the leverage is very low: “[T]here we have the advantage of an inexistent risk, but we pay it with the downside of having no lever whatsoever for letting the business grow” (l. 382-383).

Nevertheless, certain ventures (particularly S3) also revealed first improvements with regard to leveraging its distributors. According to Hardy (S3), “[t]he classic initial validation of potential distribution partners has changed” (l. 1105-1106) and distributors are now planned to be selected “[b]ased on size of the markets, based on characteristics of the distributor, based on what he can do, how large he is, how long he exists, how well the interaction works” (l. 421-423). Moreover, S3 plans to implement a six-month trial phase before any exclusivity clause is granted: “This often means that we are searching for two or three people per region and we say you all get half a year […]. And then, let’s say, one will get exclusivity” (l. 300-303).

To conclude, while the ‘fast’ internationalizing startups F3 and F4 developed particularly strong capabilities to leverage their distributors and consequently benefited from a wide range of value-added and thus from an enhanced ability to handle the complexity faced, ‘slow’ startups only developed these capabilities to a very limited degree. F5 again stood out and revealed a relatively low capability formation despite a high PES. The reason will be discussed in chapter 5.8. Field notes corroborate these findings. While the interview with F3's CTO Carl had to be done via Skype since he was currently supporting a distribution partner at a major fair, the interviews with F5 had to be rescheduled on short notice and the interview with S3's CEO Hardy had to be interrupted due to urgent issues with distributors in both cases. Hardy even mentioned that he will give the distributor "one last chance" and that he most likely "will replace the local partner". Based on the evidence presented, the following proposition is derived:

> *Proposition 2d: For INVs, internationalization related complexity mediates the positive relationship between PES and the formation of capabilities to leverage foreign distributors (improved attraction and use of direct (distribution) and indirect (e.g. marketing, innovation) support).*

Venture	Rating	Statements from the interviews
F1	-	*No local distribution partners (pure e-commerce)*
F2	-	*No local distribution partners (pure e-commerce)*
F3	I: ML C: H	Chris: From a process perspective, we tried approaching some countries a bit more directly since we thought why always giving away money to the distributors if you can do it yourself? However, by now we are fully convinced of working with distributors. We also have to offer a service. They know their markets very well and they are our partners. Thus the process of working with distributors became more rigid. Claudia: So the distributor is acquiring, presenting, selling and providing the service. In the first year, we are helping him free of charge, he simply schedules meetings and then we join. [….] He also organizes congresses […] and we are on site in order to support him. Chris: Well, there [regarding marketing] we work with our distributors individually since they specify what is good practice in the particular region. Chris: Even in Austria, we by now have a distributor simply because we have a good partner, who actually is like a field sales representative who, however, is not on our payroll. In fact, by using these distributors, you don't build up a large internal sales force but rather an external one. Chris: […] the selection of the distributors [was] the main preparation [for the market entry]. Is he well-qualified, does he bring the necessary sales, is he active in our field, is he aggressive enough, can he handle innovations or only sell standard products? Chris: We ask him [the customer], who is the best service representative in your country, the best sales and service representative, with whom would you like to cooperate? Then we try to contact him. Chris: You […] nevertheless have to train the distributors and have to go to the clients with them. It takes at least one week, if not two weeks for the introduction […]. And then there normally is a frequent contact […] in fact you have to call them once a week and check. […] So that requires a lot of additional resources that you have to accumulate internally per distributor […]. Carl: […] during the first months, we visit the distributors more frequently. The distributors organize meetings […] with the most important clients and we from F3 join these meetings. And we also provide continuous consulting. So I guess in practice, we have invested around two man-months per distributor […]. Carl: For more important meetings with more important clients, they need more know-how. There we also have to show that we as a German company are supporting them. Thus we join these meetings. We are visiting our distributors, as an estimation, two to three times ((hesitates)) let's say per year so that they aren't left in the dark. Chris: The weekend before the last, we had an international distributor meeting in Munich with 30 participants from 20 partners. […] there you also see the regional needs. Claudia: In the past, the distributors came and were trained in this room here. And now, we have done a huge distributor meeting with 30 invited guests […]. It was a huge success. Chris: We changed the organization in a way that we are now having more people as contact persons, who know the work processes of the clients, who are capable of installing the product at the client's site. So we have built up product and application experts.
F4	I: ML C: H	Derek: We are trying to avoid own subsidiaries wherever possible since this is a completely different level in terms of the internal setup. Daren: […] it already became much more structured. I believe in the area of market entries, previously people just approached us and said: "I'm from Italy and I want to sell your product". Now we actively search and compare, at least from my point of view. Derek: [Fostering for the internationalization was] the lift to a global brand, simply due to the fact that we had a distributor who already sold two global brands and then suddenly sold a third brand, which apparently had to be a global brand as well. That's how we were perceived. Dave: Actually, it was only Asian country A and B where it didn't work out well. But looking back it is totally clear – and I can also confirm this based on my time in Asian country C – the differences in time zones and languages as well as cultural barriers, etc. are all problematic. But the main barrier from my point of view really is the distance, and in that sense also the perceived distance of the partnership. Dave: [The focus] changed in the way that it was initially more on the planning side related to increasing sales and thus on finding international partners. Now it is more on the support side and on the further scaling of the countries that we already entered […]. This either means bringing existent partners to the next level or […] [finding] a new partner. Dan: We have developed a distributor questionnaire that they [potential distributors] have to fill out first. Dan: Yes, I mean, all partnerships we entered were exclusive partnerships. The reason being that the distributor basically offers marketing

		support as well […] and the coordination or separation of these activities between the two partners as well as the management of the interface is basically impossible in this early phase. Dan: Now that our processes are better established […] we can work on a totally different level with way better qualitatively superior distributors. Derek: In addition, we are visiting the major markets for every new collection and are training the sales personnel […]. And then we are trying to do integrative events such as conjoint internet activities, events where we invite international stars we then make roadshows with in the different countries. Dan: Well, we basically get a lot of feedback from both consumers and distributors, then quickly think about it and try to implement it immediately. Dave: The query has the form of a template with standardized questions, which we then aggregate from the national queries on an international level afterwards. Dave: Basically, we have three to four meetings with our sales partners. There are two design reviews where we look at the product portfolio, the development of new products and where we try to get an early feeling for how well or bad this might work in the different markets or which requests particular countries might raise. […] And then, two times a year, there's a meeting where we place more focus on the sales and marketing side and where we clearly focus on sales topics, on pricing, brand development, marketing activities, […]. This means we even say: "Ok, dear distributor from Northern European country A, please tell me what works well in your market or how you managed to make the brand known in the market. Like this, the distributors from Central European countries A and B can also learn. Dan: […] there are several products, where the idea actually comes from one country and where other countries then say: "Great idea, this perfectly works for us". Dave: […] as I said, you have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. It is a total success model.
F5	I: ML C: ML	Erik: Yes, in Asia, and basically everywhere else as well, we are facing network problems. […] you thus need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. Eddy: So we first intended to work with small mechanical engineering companies and also have tried this in Asian country A. By now we rather look for partners offering representation and service […] Erik: This has changed insofar that the partner for the Asian country A, who would actually have been in charge of the local fairs, neglected this so that we had to switch to an own presence at the fair. […] The problem we or I see when you only delegate this to the partner is how to assure the CI and the consistency in the external appearance. Eddy: Normally, this [the implementation] should be taken over by the partner, but he would need to be trained accordingly. Elias: We will continue doing the installation and the initial operation and step by step we will train the representations so that they can do this themselves locally. Eddy: You would need this feedback [from potential customers]. But we didn't receive it […]. Erik: The biggest hurdle is finding the right partner. And we really had a learning curve there. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting. Elias: […] there still is the objective of building a much denser network of representatives. This has to become an excellent screening in order to identify the right people. But that's necessary. And the people should actually have to come to for a really intense training. Eddy: Yes, we broke up with him [the distributor in Asian country A], are now looking for other partners and are placing more focus on it. Eddy: Some already walk around without a concrete contract. They get a provision on which we agree individually. Then we check who really delivers – and then we will talk about contracts again.
S1	I: ML C: ML	Fred: And they [the distributors] said we will take over the sales for you, this will cost you X per month and now let's get started. […] So we drove there for meetings with them two or three times, we showed them how everything works, we connected them to our system and then they immediately started off. We did Switzerland ourselves parallelly. The result is that by today we are very successful in Switzerland and not at all in Austria. One reason being that a lot of things went wrong since the cooperation with the agency was … Frank: And in Northern European country B we have an external sales agent who is in charge of sales […] we are now testing this and are checking what the outcome is. Fred: […] an agency approached us, no, they were recommended to us, and then we met them and they said we can also go one step further; we can also do contracts for you if you want. We are currently testing this. We try this now and see what happens; we also couldn't find a local from Northern European country B in parallel. Fred: […] I can steer Fabio, who is in charge of Central European country B, more easily since he is here and I can talk to him. I can also talk to Finn [sales agent] from Northern European country B, but only via phone, which always makes a difference.
S2	I: L C: L	Gary: […] In the meantime, we learned we have to get away from the direct approach, simply because it is not effective enough. If we enter a new market; we either need a sales agent or a distributor who really knows the market […]. Gary: One learning from the internationalization is, that you really need somebody in the market to get a grip on it, I mean you are really struggling if you enter as an external […]. Gale: In fact, the largest one [hurdle] is finding these distributors […]. Gary: […] you don't know them [the partners], you might have met them or seen them a couple of times at some fairs but it is really hard to say how good or bad the partner is. Especially for a company of our size, you can't invest money in order to (...) check or test this […]. Gary: For distributors, we deliver our products to them, they […] are responsible for the market […]. Gary: […] let's say in one or two years, when you are a larger brand and when the distributor buys a larger quantity, then he also have to commit a certain marketing budget that he spends in his market in order to sell products. Gary: […] we can ship [the products] directly from Eastern European country A, where we produce, to the distributors, which means we can increase our production capacity with little effort […].
S3	I: ML C: ML	Hardy: We obviously would have preferred finding a global distributor who could offer a one stop service. This means negotiating with one person who can cover everything, who has the power and whom I can trust that he is capable of delivering. But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. Hans: For the moment I think, many distributors we meet are approaching us directly. Hardy: […] if, in the meantime, somebody from Asian country A or B or Northern European country A or B approached us, we did not tell him please show up again in half a year once we are done with the other markets, but we included him in parallel. Hans: So from our experience, errors are simply not reported. You don't get feedback for bad things.

		Hardy: We also do the marketing for our distributors. A, we do an own marketing and B, we provide them with all new things we are doing. Hardy: […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it. Hardy: Finding a good distributor, who can cover as much as possible with a minimal effort from our side, is really much harder than I anticipated. Hardy: The classic initial validation of potential distribution partners has changed. Hardy: [The selection is done] Based on size of the markets, based on characteristics of the distributor, based on what he can do, how large he is, how long he exists, how well the interaction works. […] And as I said, then it's either exclusive or not. For exclusivity, he needs to give a binding forecast, which is pretty difficult. So most of the time we talk about a six months trial phase. Hardy: This often means that we are searching for two or three people per region and we say you all get half a year at the same margins and then you can submit your offers. And then, let's say, one will get exclusivity.
S4	I: L C: L	Ian: Someone from Northern European Country A showed up since we grasped his attention. And then they said (...) we want to do this country. […] So it was purely opportunistic. Ian: With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […]. We really have no lever for letting the business grow. Every other month we are offering to send an employee who can train them in online marketing. […] there we have the advantage of an inexistent risk, but we pay it with the downside of having no lever whatsoever for letting the business grow. Ian: In Northern European country A, we have a customer support lady who also does a little bit of google marketing. Other than that, everything is done in Germany.

Abbreviations: I: Initial; C: Current ; H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 18: PES and capabilities to leverage foreign distributors
Source: Own illustration

In the following chapter, the interrelation between the four specific capabilities discussed above will be analyzed.

5.6 Interrelation of capabilities

The data revealed that the specific capabilities formed due to high PES and high resulting complexity levels are not independent from each other (cf. Table 19). They are interrelated and are reinforcing one another.

Although, as Prange and Verdier (2011) emphasized, scholars so far “only provided isolated insights into the linkage between specific types of capabilities and resulting performance implications” (p. 127), several articles of relevance in the context of capability interrelation could be found. In his seminal work on firm's competitive advantage, Barney (1991) suggested that intangible resources and capabilities are not independent from each other but coexist as an interrelated bundle. In the INV internationalization context, several authors already discussed ‘bundles’ of capabilities relevant for the early and successful international venturing. Knight and Kim (2009) identified “international business competence” (p. 255) as a set of intangible capabilities essential for successful internationalization. As the authors showed, international orientation, international marketing skills, international innovativeness and international market orientation collectively contribute to superior international performance. In the same vein, Khalid and Larimo (2012) identified a set of capabilities INVs need to possess or develop in order to successfully overcome the initial survival threat early internationalization poses and to transit into a strong (international) growth phase. This capability set is termed “firm specific advantage” (p. 234) and is found to consist of a higher order dynamic capability and several substantive capabilities (e.g. alliance management capability, marketing planning and implementation capability, and alliance learning capability). Finally, Weerawardena et al. (2007) identified a set of capabilities (e.g. market focused and internally focused learning capabilities, networking capability, marketing capability) that enables young ventures to expand their international footprint early and successfully. However, while all three articles focused on a set of capabilities rather than exploring one capability in isolation, they placed little focus on if and how these capabilities are interrelated.

The case data of this dissertation revealed a particularly strong influence of the *capabilities to leverage external supporters* on the other capabilities (cf. Table 19).

Firstly, *capabilities to leverage external supporters* had an impact on *internationalization process capabilities*, and specifically on the market selection and the market entry process. The influence on the market selection process could for example be observed for F3, where Claudia stated that one investor guided the selection process and for F1, where Andrew conceded that the market selection "was partially driven by the investors who said: "You should approach this" or "why don't you look at this? It worked very well for other companies"" (l. 147-149). The impact on the entry process was particularly strong for F1, F2 and F3. For example F3's CEO Chris recalled: "[W]e were always well prepared [for the internationalization] [….]. Also due to the fact that we had the advisory board at our disposal who told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry" (l. 575-580). Press research further underlined this impact. In an article on F3, Chris is quoted stating that the team "managed to gain experience" (web_20) from board members and in another article he emphasized the crucial importance of the financial support for the continued internationalization (web_21).

Interestingly, the negative influence of inexistent or weak capabilities to leverage external supporters on internationalization process capabilities was also clearly observable in the data. The negative impact on the selection process was highlighted by Hardy (S3), who emphasized that one investor recommended to prioritize markets based on "segment[ing] customers into A, B and C" (l. 398) but that this was not realistic and only pure "theory as imagined by a VC" (l. 400-401). The negative influence on the entry process could for example be observed for F5, S1 and S4. F5's CEO Erik stated that the investor "of course has a consulting and coaching function" (l. 883-884) and gives advice and recommendations vehemently but that “you at some point have to realize that you are living in different times now” (l. 888-889) and that you “won’t win a teacup with a strategy from the early or mid-nineties” (l. 892). In the same way, S1’s CEO Fred stated that the investor that initially financed the venture did not support the international expansion but rather forced the team to promise “that the German business won’t suffer” (l. 403-404) and consequently do the international expansion “in parallel” (l. 404). As Fred added, he also searched for supporters who could tell him “the internationalization works like this, you have to do a, b, c, d” (l. 568-569) but could not find any.

Secondly, *capabilities to leverage external supporters* had an impact on *organizational adaptation capabilities*, in particular on the organizational structure and processes in general as well as on the local country organization. An example for the former interrelation was given by Carl (F3), who stated that the investor was “bringing in a lot of structure” (l. 758-759). The latter interrelation was particularly visible for F1, where the incubator’s local country head according to Adam supported the whole hiring process, provided infrastructure, and so on, and F2, where Brad mentioned that the incubator provided experienced venture partners as temporary local country heads. The negative influence of low capabilities to leverage external supporters was observable as well. For example, Hardy (S3) underlined the organizational constraints resulting from the limited external support: “The organization was adjusted to the financial resources of the firm […]. We reduced the staff and increased distribution efforts. This obviously doesn’t work in the long run” (l. 437-449).

Thirdly, *capabilities to leverage external supporters* influenced the *capabilities to leverage foreign distributors*, especially the decision to rely on partners and the selection process. As Chris (F3) stated, the investor actively recommended the use of a distributor model: “The advisory board discouraged us from getting active e.g. in American country A directly since this basically would be a cash burning machine. Instead, they recommended we’d better work with an established distributor, give away some margin but get a direct market access instead” (l. 1078-1082). For both F3 and S1, the investors furthermore connected the ventures to distribution partners. As Carl (F3) exemplified: “We gained several distributors through him [the investor]” (l. 758-759).

The data also revealed that *organizational adaptation capabilities* had an impact on the other capabilities, in particular on *internationalization process capabilities* and *capabilities to leverage foreign distributors*.

The impact on *internationalization process capabilities* was particularly visible for F1, where the company hired an internationalization manager whose job was "to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like" (l. 321-322). The negative impact of a low capability was visible for S1, where Francis criticized that "[t]here's no central coordinator" (l. 336) for the internationalization process and that this would be important so that "people don't run around doing their own things like a swarm of insects" (l. 340-341).

The impact of *organizational adaptation capabilities* (specifically the organizational structure and processes) on *capabilities to leverage foreign distributors* could also be observed in the data. The influence of adaptations in the organizational structure was particularly pronounced for F3, where Carl recalled that they have restructured the organization "three or four times by now" (l. 487) and "experimented a lot how to optimally share responsibilities, so that the distributors are ideally looked after" (l. 488-490). Chris added that the venture implemented specific organizational changes and for example hired "product and application experts" (l. 398) and that these adaptations enabled F3 to better support their distributors. The impact of organizational processes could for example be observed for S2, where the venture adjusted its logistics processes in order to better serve its distributors, and for F4, where internal process improvements enabled the venture to "work on a totally different level with way better qualitatively superior distributors" (Dave, l. 744-745).

Summing up, significant interrelations were observable for all four capabilities identified. The *capabilities to leverage external supporters* had a particularly strong impact on the other capabilities. Consequently, the following proposition is derived:

> *Proposition 3: For INVs, the internationalization related capabilities are interrelated.*

More specifically, five sub-propositions can be derived from the specific interrelations observed:

> *Proposition 3a: For INVs, higher capabilities to leverage external supporters support the development of higher internationalization process capabilities.*

> *Proposition 3b: For INVs, higher capabilities to leverage external supporters support the development of higher organizational adaptation capabilities.*

> *Proposition 3c: For INVs, higher capabilities to leverage external supporters support the development of higher capabilities to leverage foreign distributors.*

Proposition 3d: For INVs, higher organizational adaptation capabilities support the development of higher internationalization process capabilities.

Proposition 3e: For INVs, higher organizational adaptation capabilities support the development of higher capabilities to leverage foreign distributors.

Capability	Interrelation and statements from the interviews
Capabilities to leverage external supporters	**Impact on internationalization process capabilities:** - F1 o Andrew: [Fostering for the internationalization] definitely were the investors we got in December since they have internationalized extremely often before […] o Arthur: You have to imagine, we just had a call with the investor, who gave us some guidance since we don't know better, and then our marketing team starts analyzing o Andrew: It [the market selection] was partially driven by the investors who said: "You should approach this" or "why don't you look at this? It worked very well for other companies". - F2 o Brad: […] this [the preparation] at the end was simply conversations or dialogues within our network, i.e. our personal network, the investor side and the management side. There everybody helps each other quite a lot I guess, as in any community. You just talk to […] companies that are internationalizing as well and then there is a conjoint exchange of experiences. - F3 o Claudia: And here we had a sales vice president, who supported it [the market selection]. o Chris: But other than that I would say we were always well prepared [for the internationalization] [….]. Also due to the fact that we had the advisory board at our disposal who told us from the very beginning which steps are the important ones in the internationalization, since everybody of them already did this before and could provide us with a lot of experience from the industry. - F4 o Derek: Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think. - F5 o Erik: You get an advisory board, which of course has a consulting and coaching function. […] However, he once implemented one successful concept in one particular market 20 years ago. […] You of course get advice, and you also get it vigorously, but you at some point have to realize that you are living in different times now. […] You won't win a teacup with a strategy from the early or mid-nineties in the year 2012. But it's hard to convince somebody who was successful with it. o Eddy: In there [in the advisory board], you obviously have the investor, who is supervising everything and who wants a business plan on a regular basis. But the investor doesn't actively influence […]. Actually, they can't do this. They don't have the manpower and they don't have the expertise for it. - S1 o Fred: My biggest objective always was enthusing the partners [investor] for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel. o Fred: […] there were no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d; we didn't have this. Which is surprising, since we searched for it, but couldn't find it. - S3 o Hardy: Once there was one of our high flyer investors […]. He initially came up with the strategy for the internationalization to segment customers into A, B and C. […] This is the theory as imagined by a VC. In practice, we are selling to everybody who shows up. - S4 o Inga: So I just came from a workshop on the internationalization. But I wouldn't call this a training but rather a networking event. But we would really need more support in that area […].
	Impact on organizational adaptation capabilities: - F1 o Adam: The incubator has teams in the core markets, and they have extremely strong and experienced people as country heads of American Country A […] The head of the incubator finds potential candidates; we talk to them and say "cool, we want to have them". […] And the guy from the incubator helps him find an office, employees, etc. - F2: o Brad: If we do greenfield, we are staffing the team; the team usually consists of a venture partner, who is some kind of an interim CEO. This venture partner mostly comes from the holding and already has experience in the business. So he knows how we do sales, how we… he knows what is important to us (...) and then we are sourcing a local team, this is really important […]. - F3 o Carl: Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A for bringing in a lot of structure and many contacts. We gained several distributors through him. - S3 o Hardy: The organization was adjusted to the financial resources of the firm […]. We reduced the staff and increased on distribution efforts. This obviously doesn't work in the long run. o Hardy: This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside. Well, I haven't hired anybody. We already briefly discussed the issues with the org chart. I don't have a product manager or a sales manager who is driving and looking around and is (…) no.
	Impact on capabilities to leverage foreign distributors: - F3 o Chris: The advisory board discouraged us from getting active e.g. in American country A directly since this basically would be a cash burning machine. Instead, they recommended we'd better work with an established distributor, give away some margin but get a direct market access instead. o Carl: Well, the advisory board has helped a lot. […]. We gained several distributors through him. - S1 o Fred: [We started] with a distribution partner in Central European Country A, that our former investor A conveyed to us.

Organiza-tional adaptation capabilities	**Impact on internationalization process capabilities:**
	- F1
	  o Andrew: We hired a country manager […] since we said we don't want that Adam or I spend too much time on it, so that we can keep focused on Germany […] – he was in fact responsible for the whole process of launching the countries in the first step.
	  o Arthur: In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like.
	- S1
	  o Francis: There's no central coordinator […]. Maybe that is a slightly negative aspect from my point of view. That you would need somebody who is coordinating everything from the top, so that everything works out well and that people don't run around doing their own things like a swarm of insects.
	- S4
	  o Inga: And now we start planning the year […]. We just decided that I am responsible for organizing it and so I sat down and developed a road map, so which steps we will do next.
	  o Inga: […] in autumn we decided that I will be responsible for the internationalization of S4. And for the moment, we are trying to build a team for Northern European country B in order to get the launch done.

	Impact on capabilities to leverage foreign distributors:
	- F3
	  o Carl: I think we have restructured it [the organization] three or four times by now. Along countries, regions, languages, we experimented a lot how to optimally share responsibilities, so that the distributors are ideally looked after […]
	  o Chris: We changed the organization in a way that we are now having more people as contact persons, who know the work processes of the clients, who are capable of installing the product at the client's site. So we have built up product and application experts.
	- F4
	  o Dave: Now that our processes are better established […] we can work on a totally different level with way better qualitatively superior distributors
	- S2
	  o Gary: […] we can the ship [the products] directly from Eastern European country A, where we produce, to the distributors, which means we can increase our production capacity with little effort […].

Table 19: Interrelation of capabilities
Source: Own illustration

The following chapter will discuss the impact of prior startup internationalization experience on the internationalization related capabilities identified above.

5.7 Impact of entrepreneurial teams' prior startup internationalization experience on capability level

Prior analysis showed that the complexity emergent from high PES triggered the formation of specific internally and externally oriented capabilities. Intriguingly, the data also revealed that, while most startups showed a very low capability level at the beginning of the internationalization, some ventures (specifically, F1 and F2) not only *developed* aforementioned capabilities particularly intensely but also already *started* from a comparatively high *initial* capability level.

F1 already selected its first markets relatively systematically based on market volume, language barriers and prior experience with those markets (cf. Table 15). The organizational adaptation process was even more systematic. Before starting the internationalization, the venture hired Arthur as International Development Manager and gave him the job "to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like" (Arthur, l. 321-322). Furthermore, locals from the target markets were hired prior to entering these countries and clear responsibilities were assigned (cf. Table 16). Finally, the external supporters were leveraged intensively from the beginning. The investors pushed the team to expand internationally, supported the first entries financially, helped in the market selection and entry process and even actively supported the entries, providing for example infrastructure, temporary resources and project management support (cf. Table 17). F2 also already analyzed its first markets relatively systematically (cf. Table 15) and prepared its organization for the international expansion. The venture created an own entity for the internationalization, enriched the management team with three highly experienced Co-CEOs and hired local employees as well as experienced country managers. Moreover, it formed a business development team in charge of identifying international markets and supporting both the entry and the scaling process (cf. Table 16). Finally, the venture leveraged its external supporters intensively from the beginning. The investors provided resources for the expansion and actively supported the team in the entries for example by sharing knowledge and best practices, facilitating networking and even putting experienced interim country heads at F2's disposal (cf. Table 17).

A comparably high level of initial systematization was not observable for any other startup. Both the remaining 'fast teams' (F3, F4 and F5) and all 'slower teams' (S1, S2, S3, S4) started on a low or medium-low average capability level.[38] As the data revealed, this higher initial capability level of F1 and F2 seems to be explained by the prior international experience of the entrepreneurial teams (i.e. the founders and key employees).

The importance of prior international experience such as prior work experience abroad or experience in conducting international business (Reuber & Fischer, 1997) is already widely discussed in the context of venture internationalization. Oviatt and McDougall (1994) identified prior experience to be one of the key enabling factors for the internationalization from or close to inception, since it (partially) compensates for the lack of (firm level) experiential knowledge which is deemed as a precondition for the international expansion according to the PTI theory (Johanson & Vahlne, 1977). In line with this argumentation, many scholars conceptualized prior international experience as an antecedent of early internationalization (Oviatt & McDougall, 2005; Reuber & Fischer, 1997; Weerawardena et al., 2007; Zucchella et al., 2007). For example, Zucchella et al. (2007) revealed that the international experience (particularly international work experience in MNCs / international ventures) will considerably foster the early expansion.

Moreover, several authors linked prior international experience to capability formation and venture international performance (Autio et al., 2011; Evers & O'Gorman, 2011; George et

[38] The average capability level refers to the average rating across all four capabilities.

al., 2004; Reuber & Fischer, 1997; Sapienza et al., 2006; Weerawardena et al., 2007). For example, in their seminal paper on the role of prior international experience for SME internationalization, Reuber and Fischer (1997) argued that the management team's work experience abroad and experience in conducting international business will get incorporated into the firm and will thus foster the internationalization process. More specifically, the authors revealed that prior international experience increases the propensity of expanding internationally at an early stage, of developing foreign strategic partnerships (due to having experienced the value-added of foreign partnerships and due to having developed "the skills needed to identify and negotiate with firms in a different culture" (p. 810)), and ultimately of achieving a high degree of internationalization. In the same vein, Sapienza et al. (2006) identified prior managerial experience (international experience from previous employments) as a key mediator for survival and international growth of INVs. As the authors underlined, "experience with foreign market entry becomes a key contingency of the internationalization-performance relationship" (p. 923) since these incorporated, experience based routines guide venture's expansion process, enable ventures to "substantially decreases the costs of experimentation […], decrease the time taken to enact internationalization plans […] reduce the number of opportunities lost or missed" (p. 923) and provide access to networks and a positional advantage (based on prior reputation and status). Consequently, the authors conclude that prior experience reduces the costs of the internationalization and ultimately increases the survival and growth perspectives of young resource constrained ventures. Finally, both Autio et al. (2011) and George et al. (2004) suggest that prior international experience strengthens the initial level of internationalization process related capabilities. Interestingly, both articles point out that prior experience strengthens the initial capability *level*, but has an impeding impact on the capability *formation* due to managers' "tendency to seek recourse in 'tried and true' solutions" (George et al., 2004, pp. B5), that is strategies that proved successful before.

While extant research so far discussed a very broad set of general indicators such as having lived, studied or traveled abroad as well as business-specific indicators such as prior experience in conducting international business and having worked abroad or in an international firm (Reuber & Fischer, 1997; Sapienza et al., 2006; Weerawardena et al., 2007; Zucchella et al., 2007), a deeper look into the data revealed, that a specific type of prior international experience so far not discussed in extant research was of particular relevance for the high initial capability level of F1 and F2. The founders and employees of these ventures possessed a particularly strong *prior startup internationalization experience*, which can be described as *the experience the entrepreneurial team gained with the internationalization of startups prior to founding or joining the current venture*.

For F1, both founder and CTO Andrew and International Development Manager Arthur had prior experience with the internationalization of startups. Andrew was CEO of a fast-internationalizing, incubator supported team; Arthur was responsible for the international rollout of another startup. The importance of the team's experience was emphasized several times during the interviews. Andrew stated that contacts to one investor resulted "from my time at the large, highly international startup A" (l. 91-92) where he was CEO before. Arthur added that learnings from his prior experience impacted the internationalization process: "I learned that when I was an entrepreneur myself. First simply enter the market and get your product set. Then you can adapt and model along the way. That's how we did it as well" (l. 369-371). CEO Adam confirmed the importance of the experience of his colleagues and the impact on F1's internationalization approach. He for example pointed out that the trial and error internationalization approach as well as the "minimal approach" (l. 247) of having functions and country teams centralized in the headquarters resulted from the prior experience of his colleagues and that in particular Arthur's experience was very valuable for the team: "Arthur has the expertise and you can teach them [the country managers] everything relatively fast. Really everything, customer service, marketing, etc." (l. 371-374).

For F2, the cumulated prior internationalization experience of the entrepreneurial team was even more pronounced. Bill (CTO) founded another startup and entered several countries around the globe, Bert (Co-CEO International Business) was founder and CEO of an e-commerce startup and expanded into multiple European markets, Brandon (Co-Founder and Co-CEO) and Brian (Co-CEO European Business) both were founders and Co-Founders, investors and board members of several international startups before joining F2. As for F1, the importance of the team's prior internationalization experience became visible several times during the interviews. CEO Brad referred to it as a key differentiation criterion against the competitors, stating:

> "[W]hat really distinguishes us is our speed. We are simply extremely fast in scaling, which is due to the fact that our team is very experienced. We have several Management Senior Entrepreneurs […] which of course enables us to make decisions – also courageous decisions" (l. 132-137).

CTO Bill revealed that the entrepreneurial team's prior experience in certain countries impacted the entry mode when stating: "[T]he different modes depend on the question whether you understand a market. Well, I would say, we are fairly confident that we somehow understand Asian country A but we are not confident that we understand Asian country B" (l. 305-307). He added that the internationalization process for him even became "according to the book" (l. 425) to some degree since he could draw from considerable prior experience related to the way you expand internationally and "the way you found a new company – you have to check: is there a market, how are the market participants, competitors, what are they doing, etc." (l. 425-426). Furthermore, Bill underlined that based on his prior experience, "Brian brought in a new vision to some degree and also said: "Hey guys, it actually works out well, let's try to put the pedal on the metal a bit"" (l. 241-243). Finally, Bernd pointed out that the team's prior experience was a core competence of the venture:

> "The core competence is that we have a team of entrepreneurs. This starts at the management level and goes down to lower levels, they are all very experienced in their respective field of work. I would simply say that our team is very strong and that consequently the core competences required to build this business are all present. […] For example, with Bert, Co-Founder of F2, we have somebody in our team who already built up this business three to four times in other countries, which means he also has a huge experience in this area" (l. 205-212).

As described, all other startups had no team member with prior startup internationalization experience. Interestingly, this lack of experience and its obstructive impact were revealed in several interviews.

For example, F3's CTO Carl stated that they "have little experience in that sense. A lot of things are simply new to us as well" (l. 209-210). He furthermore mentioned several fields where the venture consequently had to undergo a learning curve such as the organizational structure, which F3 had to adapt "three or four times by now" (l. 487) and "experimented a lot how to optimally share responsibilities" (l. 488-489). In the same vein, F4's CEO Dave conceded that "[a key hurdle] probably is the 'know-how' in the company how to handle the foreign business properly. So everything regarding the foreign business in general, how that works" (l. 1030-1032). Adding, Daniela admitted that they "don't have somebody here who actually learned this [the export] or who is specialized on it" (l. 544-545). At S1, the lack of experience and need for support were even more visible in the interviews. Frank exemplified that he "never founded a company in Northern European country A" (l. 283-284), that he "had no idea how this works" (l. 284) and thus "first wanted to gather experience" (l. 283). Fred added that "there were no supporters or friends that took us by our hands and said the internationalization works like this, you have to do a, b, c, d; […] we searched for it but couldn't find it" (l. 567-570). Further underlining the lack of experience and its impact on the initial entries, Fred stated that they "really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to" (l. 234-237). Lastly, S3's CEO Hardy revealed that the lack of experience even influenced the interaction with the VC: "I mean, that's something you learn over time. As a young founder, you surrender to the investors much faster than you would if you had done this two or three times before" (l. 265-267).

To conclude, the analysis of the interview data revealed that entrepreneurial teams' prior startup internationalization experience had a major impact on the initial capability level. While F1 and F2 considerably benefited from the very high experience of its founders and key employees and consequently were able to start from a strong initial capability level, all other startups 'struggled' with the inexistent experience and hence had a low initial capability level.

Press research further substantiates these findings. For example, several articles on F2 emphasized the key importance of the TMT's prior experience and in particular the startup internationalization experience of Brandon and Bert (web_36 – web_38). One article even stated that Bert was the "perfect match" for the Co-CEO role due to his prior experience with venture internationalization (web_38). Furthermore, TMT's experience and the resultant value-added are prominently featured on the company webpage (web_39). On the other hand, S2's CEO is quoted in an article stating that he "had to make first steps and gain first experience" (web_40). Furthermore, an article on F5 revealed that the company used a consultancy specialized on helping companies that failed entering a specific market with their 'second try' and CEO Erik is even quoted stating that "their experience" enabled the development of an entry strategy (web_41).

Summing up, the data and evidence presented above suggests:

> *Proposition 4: For INVs, higher entrepreneurial teams' prior startup internationalization experience increases the <u>initial</u> level of internationalization related capabilities.*

In the next chapter, the impact of the complexity aversion on capability formation will be presented.

5.8 Impact of entrepreneurial teams' complexity aversion on capability formation

As already described in chapters 5.3-5.5, the 'fast internationalizing' ventures differed considerably with respect to the capability formation intensity, although they all faced a high level of complexity. While F1, F2 and F3 responded to emergent complexity very intensely and formed a strong set of specific capabilities, F4's response was less intense, and the resultant capability level was lower. F5 responded even less active and formed aforementioned capabilities to a very limited degree. A closer look at these startups revealed that their entrepreneurial teams (i.e. their founders and key employees) differed considerably concerning their *complexity aversion*. This attitude, described here as *the degree to which the entrepreneurial team evaluates complexity negatively and shows reluctance, avoidance and inertial reactions,* seemed to determine the reaction to the complexity faced and consequently the intensity of capability formation. More specifically, two patterns emerged from the data. The first represents a high complexity aversion. Entrepreneurial teams perceived complexity to be overwhelming and demotivating. This perception triggered a 'shock' where ventures did not react at all and / or with a deceleration of the internationalization. The second type reflects a low complexity aversion. Ventures viewed complexity as a motivating force to initiate change and optimization processes.

While no extant research on this construct could be found, related attributes such as the willingness to bear uncertainty (McMullen & Shepherd, 2006), risk perception (Acedo & Jones, 2007; Jones & Coviello, 2005; Kuivalainen et al., 2007; Weerawardena et al., 2007), tolerance for ambiguity (Acedo & Jones, 2007) and managerial attitude (Preece et al., 1999) are already discussed in the context of entrepreneurial behavior and venture internationalization.

Firstly, extant research on entrepreneurial behavior by McMullen and Shepherd (2006) suggests that "the amount of uncertainty perceived and the *willingness to bear uncertainty*" (p. 132, emphasis added) impact entrepreneurial actions. The willingness to bear uncertainty is described as "a belief-desire configuration, in which belief of what to do is a function of knowledge and desire of why to do it is a function of motivation" (McMullen & Shepherd, 2006, p. 148) and is suggested to foster – or prevent – entrepreneurial actions.

Secondly, research in the context of venture internationalization identified *risk perception*, described as the individual evaluation of the risk, uncertainty and perceived controllability of a given situation (Acedo & Jones, 2007; Sitkin & Weingart, 1995), to be an important antecedent of an early and successful international expansion (Acedo & Jones, 2007; Jones & Coviello, 2005; Kiss et al., 2013; Kuivalainen et al., 2007; Weerawardena et al., 2007). For example, Coviello and Jones (2004) pointed out that the international expansion is a complex and risky process and thus suggested that entrepreneur's risk tolerance drives venture internationalization behavior and ultimately the financial and non-financial international performance outcomes. Moreover, Kiss et al. (2013) showed that the international risk bias, described as "the extent to which entrepreneurs perceive internationalization choices more or less risky than an objective standard" (Kiss et al., 2013, p. 1068), drives venture post-entry international growth.

Thirdly, analyzing the impact of entrepreneurial cognition on the speed of the first market entry, Acedo and Jones (2007) found that *tolerance for ambiguity,* described in line with Westerberg, Singh, and Häckner (1997) as the ability to make decisions in risky and uncertain situations and environments, has a positive impact on risk perception, which in turn drives internationalization speed.

Finally, Preece et al. (1999) identified *managerial attitudes*, that is an attitude characterized by perceiving the international expansion as a necessity and by paying high attention to the attractiveness of foreign markets, to be an important driver of venture international intensity (share of international sales).

As the case data revealed (cf. Table 20), the fast internationalizing ventures F1, F2 and F3 all showed a particularly low complexity aversion. F4 revealed a mixed and overall higher aversion, while F5 and all slowly internationalizing ventures (S1-S4) were found to be highly complexity averse.

F1 according to Adam interpreted the internationalization and the resultant complexity that was "abruptly raised" (l. 954) as "an accelerant" (l. 947) and as a trigger for "a necessary improvement process" (l. 954-955) and an increasing professionalization. Adam added that he considers "being discouraged by the first insight that something gets tricky or complex" (l. 753-754) to be a major mistake and he emphasized: "At the end there is a solution for everything" (l. 754). Consequently the venture pushed the fast internationalization "despite the resistance of some people within the firm" (l. 495-496). Summarizing the attitude, Adam stated that "[s]tartup-management is always like that: Driving fast and then checking what breaks down first" (l. 332-333) and Anton added that "especially in an unknown situation; you just have to move" (l. 337-338).

In the same line, F2's Bernd underlined that being discouraged by complexity "would be a mistake" (l. 742) and that problems are often "homemade hurdles" (l. 516-517). He continued:

> "We have to react to the requirements we get, being requirements from the competition, from the customers or the authorities or whatever, we simply have to react. […] for me there can't be any excuses like "well, since it is like that, we can't do it". Of course we can, it's simply a matter of 'how'. It's always the question of 'how'" (l. 743-747).

F3's CEO Chris emphasized that the internationalization and the resultant complexity should not be considered as a hurdle, but "rather contributed to the optimization, particularly since the processes improved" (l. 953-954). Further underlining the positive impact of complexity, he stated: "[T]he thing really is that it brought a lot of dynamics into many activities. I think it's positive that this field of tension exists […]. So, from my point of view, it contributed a lot to the quality of processes and products" (l. 769-777).

F4 not only had an overall lower capability level than aforementioned companies but the entrepreneurial team also showed a mixed and altogether higher complexity aversion as compared to F1, F2 and F3. On the one hand, CEO Dave stated that the venture did not face major problems with the internationalization and he even emphasized that "if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody" (l. 1048-1049). On the other hand, Daren mentioned that internationalizing (too) fast and the resulting complexity "might have the effect that the quality suffers" (l. 479-480) and Derek even pointed out: "[F]rom an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react" (l. 518-521).

F5 not only achieved the lowest overall capability level among all 'fast' startups, it also revealed this low formation intensity was driven by a very high aversion towards the emergent complexity by the entrepreneurial team. When discussing internationalization related tasks and challenges in the interviews, the interviewees frequently focused on the 'problems' related to the particular tasks. For example, CEO Erik mentioned that "network problems" (l. 296) and the lack of market knowledge, the hurdle of "finding the right partner"

(l. 898) and “[t]he problem […] how to assure the CI and the consistency in the external appearance” (l. 627-629) when delegating marketing task were all major issues in the internationalization process. Eddy added that “how to organize everything [the sales], […] and how we should handle the so-called knowledge transfer” (l. 247-249) were additional issues the venture faced. Interestingly, Erik seemed to be fully aware of the company’s ‘problem focus‘: “I could sometimes climb up walls how fast engineers, and I am one of them myself, start turning problems over in their mind” (l. 740-741). He also underlined that he would have needed support in aforementioned challenges and complained: “The problem is that in Germany, you are always left alone for the internationalization and especially for exporting” (l. 899-900). Erik even mentioned that the venture “discussed the idea to initially focus on Germany with our board of advisors” (l. 830-831) in order to avoid the emergent complexity.

Interestingly, all ‘slow’ teams also showed a relatively high aversion towards the emergent complexity – despite the considerably lower complexity level faced (cf. chapter 5.2). For example, Fred stated that S1 initially internationalized slowly and focused on few countries since he didn’t “want to overstretch the organization” (l.802-803) and since “if you start off too fast, you most likely will make mistakes” (l. 488). Adding, Frank described S1’s internationalization approach with attributes such as “be careful” (l. 969), “focusing” (l. 276) and “not to lose track, not to cover too many topics at once” (l. 276). Gary was drawing a similar picture for S2’s initial internationalization: “I mean, you really shouldn’t approach too many things initially; it’s better to first serve the markets you already have” (l. 219-220). Co-Founder Gale added that a key initial concern was getting the “processes straight” (l. 344) to avoid “burning my fingers in foreign markets” (l. 346-347) and in the same vein, Gabi stated that she prefers a “slow, healthy growth” (l. 1114-1115) that “proceeds cautiously and with small steps” (l. 1106-1107). S3‘s CEO Hardy mentioned that the complexity related to finding and managing distributors prevented him from a further expansion. As he stated: “I’d say that in all other countries, we probably won’t approach distributors actively. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it” (l. 354-358). The rather pronounced complexity aversion is underlined by a press article, in which Hardy stated that he most likely wouldn’t even have founded the company if he had been aware of the complexity and “all facets of being an entrepreneur” before (web._42).

To conclude, the startups highly differed in their complexity aversion. F1, F2 and F3 showed a particularly low aversion. Their entrepreneurial teams interpreted the emergent complexity as an encouraging challenge and proactively responded by intensively forming specific capabilities, which enabled them to handle the complexity faced. F4's team interpreted the complexity as less positive and showed a less intense formation process. F5 even showed an opposing response. The team perceived the complexity to be a problematic and discouraging hurdle and responded rather passive, that is with a considerably lower capability formation intensity. The 'slower teams' (S1, S2, S3, S4) showed a similarly high complexity aversion, formed the specific capabilities to a very limited degree and rather responded to an increasing complexity with a deceleration of the international expansion. Therefore the following proposition is derived:

Proposition 5: For INVs, entrepreneurial teams' complexity aversion moderates the positive relationship between internationalization related complexity and the formation of internationalization related capabilities, such that the strength of the relationship decreases with higher complexity aversion.

Venture	Rating	Statements from the interviews
F1	L	Adam: It's like an accelerant. […] we abruptly raised the complexity and this triggered a necessary improvement process. You can probably phrase it like that, not a surprising but an earlier, ehm ((looking for words)) standardization and professionalization process. Andrew: Well, we then really pushed it [[the fast internationalization] and despite the resistance of some people within the firm we said: "No, we just have to do it". Adam: So the stumbling block was really being discouraged by the first insight that something gets tricky or complex. At the end there is a solution for everything. Adam: Startup-management is always like that: Driving fast and then checking what breaks down first. Anton: I mean you can always set up more structured plans, but I do not really think it works that well in a startup company, especially in an unknown situation; you just have to move.
F2	L	Bernd: I'd say yes (...) it got more complex […] but I keep on saying that it would be a mistake […] I mean you just have to react to it. We have to react to the requirements we get, being requirements from the competition, from the customers or the authorities or whatever, we simply have to react. And there shouldn't be any (...) for me there can't be any excuses like "well, since it is like that, we can't do it". Of course we can, it's simply a matter of 'how'. It's always the question of 'how'. I mean (...)I know it's a platitude but how should you phrase it differently? Bernd: Other than that (...) these hurdles from my point of view are basically homemade hurdles as far as it concerns the countries.
F3	L	*Interviewer: Did the increasing international presence have any impact on the complexity or even the manageability of the company?* Chris: I don't think so ((hesitating)). I even think it rather contributed to the optimization, particularly since the processes improved. Chris: I guess the thing really is that it brought a lot of dynamics into many activities. I think it's positive that this field of tension exists […] So, from my point of view, it contributed a lot to the quality of processes and products.
F4	ML (mixed)	Dave: I wouldn't have expected that no problems occur at all. So, I would (…) definitely advice companies in our industry to internationalize pretty fast. But consciously. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody Dan: Ok, I mean we of course thought about whether it makes sense and how it is possible to grow that fast Derek: But from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react. […] I guess a solid research for various countries probably could have made things a bit easier. Daren: Personally, I think it [the high internationalization pace] has a more negative touch […] Since I sometimes have the feeling that I am working to fast, which might have the effect that the quality suffers.
F5	H	Erik: Yes, in Asia, and basically everywhere else as well, we are facing network problems. I mean this network focus in fact not only is an Asian phenomenon and you therefore need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. Erik: The biggest hurdle is finding the right partner. And we really had a learning curve there. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting. Erik: The problem we or I see when you only delegate this [local marketing] to the partner is how to assure the CI and the consistency in the external appearance. Eddy: Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer. I mean, we first had to find out what the markets actually want.

		Erik: I could sometimes climb up walls how fast engineers, and I am one of them myself, start turning problems over in their mind. Erik: We discussed the idea to initially focus on Germany with our board of advisors and with our investors. But it is not feasible.
S1	H	Fred: […] if we wanted to enter a huge amount of countries parallelly, we would have to think about financial resources. From my point of view this is not recommendable for two reasons. First, I don't want to overstretch the organization and second, I don't want to borrow outside capital. Since […] if you start off too fast, you most likely will make mistakes and you will make them parallelly, which makes it much harder revising things. Thus, one thing at a time […]. Fred: Doing everything in parallel is dangerous. As I said before, I don't want to overstretch the organization, and Frank doesn't want to do this either, so we are really careful there. Frank: […] outside of Europe we'll have to see and have to be careful, that's the plan. Frank: […] we are also focusing. This means not to lose track, not to cover too many topics at once, because if you can't manage it any more, it will all go down the plughole, you realized that you don't do things right. […] It doesn't make sense addressing too many topics parallelly. This was the counter argument against entering several countries at once, since we also wanted to gain experience.
S2	H	Gary: […] if you are an as young brand as we are, a lot of processes don't really work. […] I mean, you really shouldn't approach too many things initially; it's better to first serve the markets you already have […]. Gale: Hm, that you might say I first want to get my processes straight […] and when it works well, I can start burning my fingers in foreign markets, but not immediately burning all markets, that was the counter argument. Gabi: […] I always support a long term orientation, not an exit focus […] a company that is developed with a long term orientation, a long term thinking, that proceeds cautiously and with small steps […]. I am in favor of a slow, healthy growth, although this might not seem to be profitable enough for many people.
S3	MH	Hardy: And I'd say that in all other countries, we probably won't approach distributors actively. If we find somebody who fits well, then maybe, but the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.
S4	MH	Ian: So, we basically approached this [the internationalization] very gradually. Ian: Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.

Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 20: Impact of complexity aversion on capability formation
Source: Own illustration

In the next chapter, the impact of PES, the resulting complexity and capabilities formed on venture performance will be analyzed.

5.9 Impact of PES and specific capabilities on venture (international) performance

As the data showed, ventures following a fast vs. slow PES highly deviated with respect to the performance they were able to derive from the international expansion (cf. Figure 18). Ventures expanding internationally at a higher rate overall achieved considerably stronger international performance, defined here as *international sales growth*, that is *the change in the share of international sales over time* (Autio et al., 2000; Cavusgil & Zou, 1994; Lu et al., 2010; Verdier et al., 2010; Zhou, 2007; Zhou et al., 2010). The data moreover revealed that within the 'high PES' group, those ventures that formed a strong set of internationalization related capabilities relevant for handling the PES induced complexity (i.e. F1, F2 and F3) benefited considerably more from their international expansion than those ventures with moderate (F4) or even relatively low capability levels (F5).

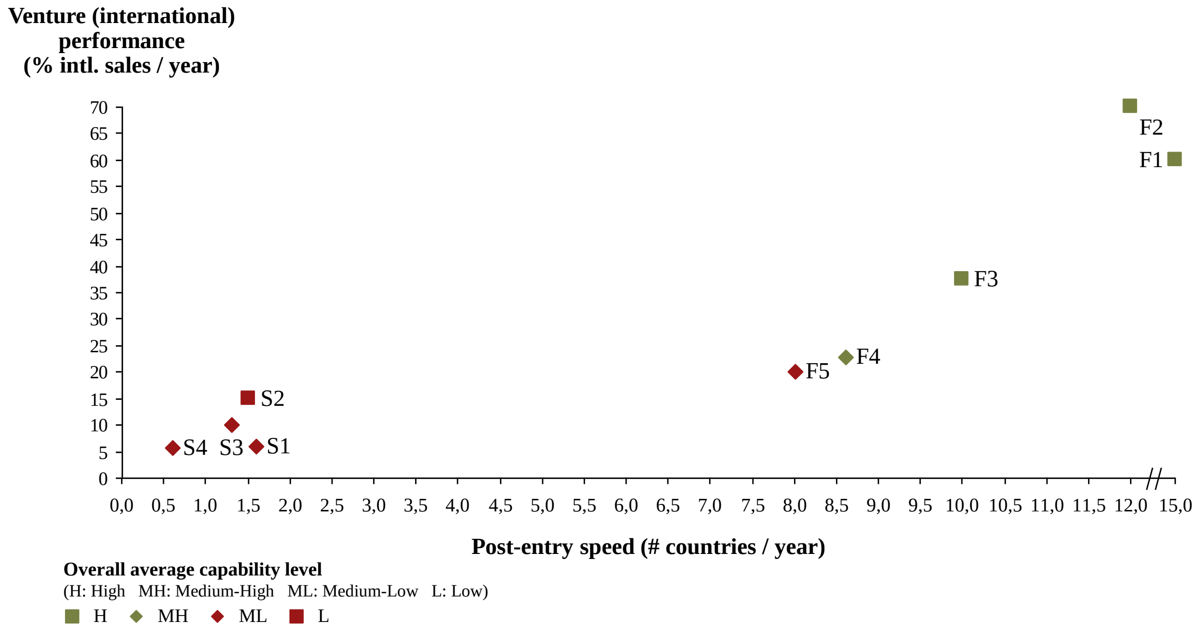


Figure 18: Post-entry speed and venture (international) performance
Source: Own illustration

Interestingly, extant research predominantly assumes that a high PES has an overall negative impact on firm performance (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). These authors argue that PES increases the amount of complexity firms are confronted with. Since the ability to cope with complexity is limited (Cohen & Levinthal, 1990; Vermeulen & Barkema, 2002), the PES induced complexity increase is suggested to trigger time compression diseconomies, described as "inefficiencies that occur when things are done faster" (Jiang et al., 2014, p. 115), and ultimately is proposed to translate into negative performance implications (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004).

However, Sleuwaegen and Onkelinx (2014) took a different perspective on the PES-performance-link. Based on learning theory and the concept of learning advantages of newness (LAN), the authors argued that INVs have an enhanced ability to handle a higher PES and are thus proposed to generate a positive performance impact (here sales growth) from a higher PES.

Extant research in the context of venture internationalization provides further support for this learning based argumentation. For example, Autio et al. (2011) showed that the internationalization induced complexity has a highly positive influence on the formation of organizational capabilities that enable and facilitate the continued internationalization. Moreover, INV research provides support for the importance of LAN for accelerated learning from international markets and for the formation of capabilities (Autio et al., 2000; Knight & Cavusgil, 2004; Sapienza et al., 2006). In addition, scholars already provided first conceptual and empirical support for the positive impact of LAN and of specific capabilities on the internationalization-performance-relationship. For example, Autio et al. (2000) and Sapienza et al. (2006) revealed that early internationalizing ventures benefit from their LAN and the resultant improved capability formation, and will thus be able to grow more successfully in international markets. Zhou et al. (2012) showed that early internationalization strengthens the marketing capability and that this capability formation will strengthen the international performance of young ventures. Zhou et al. (2010) found that the early internationalization-performance-relationship is positively influenced by the knowledge capability (e.g. the ability to generate market intelligence and acquire foreign market knowledge) and network capability ventures form or enhance based on the internationalization induced learning stimuli. Finally, Prashantham and Young (2011) and Casillas and Moreno-Menéndez (2014) identified internationalization induced learning and capability formation processes to be an important antecedent of venture's PES. Prashantham and Young (2011) suggested that the network (termed social capital) and knowledge (market knowledge and technological knowledge) accumulated over the course of the internationalization have a highly positive impact on PES. In the same vein, Casillas and Moreno-Menéndez (2014) identified two types of internationalization induced learning types (related to the modes of operation and the countries to be entered) that drive venture's PES[39].

In line with these learning and capability based conceptualizations, the data revealed that higher PES not necessarily results in TCD and ultimately in negative performance implications. While F1, F2 and F3 developed a strong set of internationalization related capabilities which enabled them to handle the PES induced complexity and to achieve strong performance, F5 (and to some degree also F4) suffered from a lower capability level, thus struggled considerably more with the emergent complexity and ultimately achieved lower performance. Consequently, the performance impact is assumed to be contingent upon the mediating impact of specific internationalization related capabilities formed and hence, upon venture's ability to handle the PES driven complexity.

Interview data substantiates this conclusion (cf. Table 21). F1, F2 and F3 and to some degree F4 all emphasized the importance of their strong capabilities developed for handling

[39] See chapter 2.2.2.2 for details.

complexity and achieving high performance while for F5, the negative impact of lower capability levels was clearly visible.

F1 and F2 particularly benefited from their strong internationalization process capabilities. Arthur pointed out that for F1, the first entries were “trial-and-error” (l. 335) and “chaotic” (l. 337) but that they then “structured and listed it and for the other countries it was already much easier” (l. 338-339) and more efficient. In the same vein, Brad pointed out that F2’s entry process “by now […] is very well-developed and I belief based on this we can scale very fast, exactly along the planning model” (l. 302-304). As Bill added, F2 moreover “developed a really good formula for checking whether we consider a market to be interesting or not” (l. 465-466), which enabled the venture to avoid costs for failed entries and to speed up the growth process.

F1, F2 and F3 moreover benefited from their strong organizational adaptation capabilities. F1 hired a Business Development Manager (Arthur) for “bringing the countries into the next level” (Adam, l. 675) and according to Adam could derive major performance benefits from the “clear structures” (l. 845), increased “output orientation” (l. 845), and “standardization and professionalization process” (l. 956-957), which were all triggered by the fast internationalization and the resultant “abruptly raised […] complexity” (l. 953-954). Venture F2 created a business development team for driving the international growth and for “bring[ing] forward the extant countries, the international markets across all functional areas” (Bernd, l. 86-88), and hired experience seniors who fostered international growth and motivated the team to “put the pedal on the metal” (Bill, l. 243). As Chris added, F3’s fast internationalization and the resultant organizational improvements “contributed a lot to the quality of processes and products” (l. 776-777) and thus increased efficiency.

In addition, F1 and F3 underlined the performance benefits of the capabilities to leverage external supporters. F1 benefited from the network, shared knowledge, temporary resources such as “temporary project managers, temporary marketing guy, temporary IT guy” (Adam, l. 620) and an overall push towards efficiency and growth. F3’s investors provided contacts and “new ideas” (Claudia, l. 846), brought in “a lot of structure” (Carl, l. 758) and according to Carl actively pushed the expansion “because we become much more competitive and much faster” (l. 952).

Finally, Chris stated that F3's strong capabilities to leverage foreign distributors resulted in efficiency gains since these partners are "like a field sales representative who, however, is not on our payroll" (l. 305-306).

Data for F4 is mixed. On the one hand, Dave underlined the significance of a systematic internationalization process as key enabler for fast growth, stating that "if you do it [the fast international expansion] consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody" (l. 1348-1349). Moreover, both founders emphasized the benefits of leveraging their foreign distributors since this eases the fast international expansion, increases the efficiency (e.g. based on an integrated supply chain) and results in "multiplier effect in markets, where the distributor is also doing marketing and is also active in brand development for the country" (Dave, l. 333-336). On the other hand, F4's growth and performance also suffered from lower capability levels in certain areas. For example, the partially opportunistic market selection resulted in several expensive exits that according to Derek could have been avoided: "I guess a solid research for various countries probably could have made things a bit easier" (l. 522-523). The lack of organizational adaptations was also growth constraining. Derek pointed out that F4 needs to make its processes more efficient in order to be competitive and referring to the organizational structure, he added: "Since it was all done very quickly, we […] have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here" (l. 371-374).

F5 showed a considerably lower capability level and thus a lower ability to handle the complexity, which had a clearly negative impact on growth and performance. For example, CTO Eddy pointed to inefficiencies and growth constraints based on issues with the organizational structure: "Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer" (l. 247-249). Eddy continued that the internationalization process capabilities were a constraint since the venture "first had to find out what the markets actually want" (l. 249-250) and Erik added that F5 struggled with finding distributors and that opportunistic selections resulted in expensive replacements. Nonetheless, the positive impact of certain at least moderately formed capabilities – and of planned improvements – was also observable. For example, F5 learned to rely on distribution partners as a most efficient entry mode, already achieved efficiency gains in some partnering related processes, "now start[ed] getting active in the business development field” (Elias, l. 371) to spot growth opportunities and initiated a careful evaluation of “the potential for later” (Elias, l. 374) to avoid costly exits.

As mentioned above, the data also revealed that the ‘slower startups’ (S1, S2, S3 and S4) showed a considerably lower performance and growth (cf. Figure 18). This was driven by the slower international expansion rate and the constraints resulting from the comparably low capability level.

For S1, S2 and S3 the limited capabilities to leverage external supporters were growth-constraining. S1’s investor forced the team to keep the focus on Germany and consequently to do the expansion “in parallel” (Fred, l. 404), S2’s investor provided little support and thus growth and portfolio size according were “minimized by our financial means” (Gale, l. 521-522), and S3’s investor did not support the internationalization at all. As Hardy (S3) stated: “This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside” (l. 618-619). S2 and S3 furthermore suffered from low organizational adaptation capabilities, and particularly from inefficient processes. Gary (S2) pointed out that a lot of internationalization related processes “don’t really work” (l. 216) but need to work “before you can deliver certain quantities or products to other markets” (l. 218-219) and Hans (S3) admitted that process issues and the lack of automation were growth and efficiency constraints. Finally, S2 also suffered from the low internationalization process capabilities, and specifically the unsystematic entry process, where the venture was “really testing and experimenting on a very costly level” (Gabi, l. 797-798), while for S4, the limited capabilities to leverage its distributors inhibited the expansion. As Ian stated, the involvement and the exchange are “really, really limited. That’s a true problem […]. We really have no lever for letting the business grow” (l. 376-379).

Press research and survey data corroborated the findings on the performance impact and on the mediating role of capabilities.

Firstly, press research substantiated the performance differences between high and low PES ventures. For example, F1, F2 and F3, the ventures with the highest PES and the highest abilities to leverage their external supporters, were the only ventures where an additional fundraising (after the interviews) could be observed. For all three, the additional sum raised was in a six to seven digit range and mainly targeted at the continued growth and international expansion (web_06-web_08; cf. chapter 5.5.1). Furthermore, articles on F3 (web_22) and F2 (web_23) mentioned estimated sales figures in a seven to eight digit range and articles on F1 (web_24) and F2 (web_25) stated that these ventures by now both are among the leading players in their respective industries. In contrast, an article on F5 mentioned that the company was hoping to achieve break-even soon (web_26) and two articles on S3 confirmed the negative employee growth (web_27-web_28).

Secondly, press research supported the mediating impact of aforementioned capabilities on performance. In particular, several articles on F1, F2 and F3 emphasized the key importance of their leverage of external supporters for venture growth. An article on F1 stated that the latest fundraising will enable the venture to launch a "large-scale international growth-offensive" (web_29). In another article, one investor emphasized his considerable experience in the internationalization and his high ability to foster growth and ease the expansion based on this experience (web_30). The high value-added of F2's investor for the international growth is substantiated by an interview with the CEO of another startup supported by the same investor. The CEO underlined that the investor provided a lot of valuable support, which considerably "facilitated growth" (web_31). In another article, a board member of F2 emphasized the key importance of both the financial and non-financial support of a particular investor for the "fast international expansion" (web_32). F3's CEO Chris underlined in a press interview that the latest fundraising will enable the team to "push our growth through the continued internationalization and the strengthening […] of sales activities" (web_33). In a second interview he stated, that the new distribution partners and new investors will enable the team to gain market experience and venture growth (web_34). Finally, the impact of the organizational adaptation capabilities on venture performance became visible in an article on F2, where an investor stated that the fast growth and successful expansion are to a high share thanks to the hiring of Brandon as Co-CEO and that he "has driven the expansion abroad" particularly active (web_35).

Thirdly, survey data substantiated both the performance differences between low and high PES startups and the mediating role of the specific capabilities identified. The comparison of whether the ventures regarded their international activities as a reason for (i) an increase of their competitive advantage (mean F1 to F5 = 5.43; mean S1 to S4 = 4.71), (ii) an increase of the market share (mean F1 to F5 = 5.00; mean S1 to S4 = 3.38), and (iii) an increase of their differentiation compared to competition (mean F1 to F5 = 5.10; mean S1 to S4 = 3.42) already revealed certain differences between teams with high and low PES. While the difference for the increase in competitive advantage was not statistically significant ($t(7) = 1.62$, $p > .1$); the mean differences for the increase in market share and differentiation were at least marginally significant ($t(7) = 2.01$, $p < .1$; $t(7) = 2.98$, $p < .05$, respectively). Interestingly, if outlier F5 (showing a low overall capability level despite a high PES) is excluded from the analysis, the mean values of the high PES ventures considerably change (i) for the competitive advantage impact (F1-F4 = 5.79), (ii) for the market share impact (F1-F4 = 5.63), and (iii) for the differentiation impact (F1-F4 = 5.00). The significance of the mean differences is improved ($t(6) = 5.10$, $p < .01$; $t(6) = 5.06$, $p < .01$; $t(6) = 2.52$, $p < .05$, respectively). These findings not only underline, that high PES ventures were able to generate higher performance advantages from their internationalization despite the high complexity faced, they also corroborate the essential role of the capability formation as a mediator for the PES-performance-link.

Survey data on the self-assessed impact of venture international activities on venture (international) performance, specifically on profit, liquidity and growth revealed a similar pattern. On average, high PES ventures saw a greater impact of their internationalization on profit (mean = 4.67), liquidity (mean = 4.03), and growth (mean = 6.33) than lower PES and lower complexity ventures (mean profit = 4.04, mean liquidity = 3.58, mean growth = 5.42). However, these differences were not statistically significant ($t(7) = .75$, $p > .1$; $t(7) = .70$, $p > .1$; $t(7) = 1.20$, $p > .1$, respectively). Again, excluding the outlier F5 resulted in an increase of mean values for the high PES ventures (5.33 for profit, 4.54 for liquidity and 6.92 for growth). Furthermore, these differences are statistically significant ($t(6) = 3.29$, $p < .05$; $t(6) = 2.95$, $p < .05$; $t(6) = 3.40$, $p < .05$, respectively). This further supports the findings, that high PES ventures were able to handle the resultant complexity and translate the high PES into a strong performance – and that this relationship is contingent upon the formation of specific capabilities.

Finally, survey data based correlations were used to corroborate the relationships between *specific* capabilities and venture performance. With respect to the internationalization process capabilities, the relationship between the self-assessed internationalization driven improvement in gathering market knowledge and the perceived increase in differentiation due to venture internationalization was statistically significant ($r = .87$, $p < .01$, $n = 9$). This result strengthens the interview finding that an improved gathering of market knowledge (as a key part of the increasingly systematized market selection and entry process) enables ventures to translate their high PES into performance gains. With respect to the organizational adaptation capabilities, the relationships between the percentage of international employees and the perceived increase of venture competitive advantage ($r = .86$, $p < .05$, $n = 7$) as well as market share (r = .97; p < .01, n = 7) due to venture internationalization were significant. This corroborates the interview finding that hiring international employees as part of organizational adaptation capabilities is an important lever for translating high PES into performance improvements.

To conclude, the analysis revealed that a higher PES and a higher resultant complexity not necessarily have negative performance implications. The overall performance is contingent upon the mediating role of aforementioned capabilities such that high capability levels enable ventures to handle high PES driven complexity and consequently to minimize TCD related inefficiencies and thus growth and performance constraints. The following proposition can be derived from the evidence presented:

> *Proposition 6: For INVs, higher internationalization related capabilities increase venture international performance.*

Venture	Rating	Statements from the interviews
F1	H	Arthur: […] it was trial-and-error for the first launch. Then we took these learnings and restructured everything again. The first time we went live with F1 was still very chaotic, which is totally normal I assume. Then we structured and listed it and for the other countries it was already much easier.
		Arthur: Well, my initial role was setting up the team, building that all up, and now it is ((pauses)) bringing the countries into the next level.
		Adam: […] we abruptly raised the complexity and this triggered a necessary improvement process. […] an earlier, ehm ((looking for words)) standardization and professionalization process.
		Adam: But I think due to the brutal management effort, we were forced to implement clear structures – e.g. the output orientation I mentioned before, the intermediate hierarchical levels and things like that – much earlier.
		Adam: The head of the incubator finds potential candidates; we talk them and say "cool, we want to have them". The candidate then founds and at the beginning gets the full support from the incubator – temporary project managers, temporary marketing guy, temporary IT guy, temporary whatever. […] And the guy from the incubator helps him find an office, employees, etc. This works great.
F2	H	Brad: […] initially, this was definitely, I wouldn't say unstructured, but not as profound. In the meantime, we are in fact looking very detailed into the specific metrics […] by now it is very well-developed and I belief based on this we can scale very fast, exactly along the planning model.
		Bill: Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying.
		Bill: When Brian joined the team as CEO, this might have changed a bit since it is fair to say that Brian brought in a new vision to some degree and also said: "hey guys, it actually works out well, let's try to put the pedal on the metal a bit […]".
		Bernd: It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. […] and then there is also some kind of a consultant role, whereby we are also actively intervening.
F3	H	Chris: I guess the thing really is that it brought a lot of dynamics into many activities. […] So, from my point of view, it contributed a lot to the quality of processes and products.
		Carl: Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A for bringing in a lot of structure […]
		Claudia: [The investors are] extremely important I have to say. I mean, it wouldn't work without them. […] [They are supporting] by providing contacts, by providing, let's say new ideas and models that already worked before.
		Carl: If we only focus on the early adopters in Germany, our development won't be nice at all. Thus it [the internationalization] is of critical importance to the investors. Simply because our market immediately gets much more interesting, because we become much more competitive and much faster.
		Chris: Even in Austria, we by now have a distributor simply because we have a good partner, who actually is like a field sales representative who, however, is not on our payroll. In fact, by using these distributors, you don't build up a large internal sales force but rather an external one.
F4	MH (mixed)	Dave: So, I would (…) definitely advise companies in our industry to internationalize pretty fast. But consciously. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit […].
		Dan: Ok, I mean we of course thought about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors and since we produce in Asia. I mean, if the containers that are anyhow sent from there all arrive in Germany or if some of them are sent to Northern European country A doesn't make a difference to us.
		Dave: […] as I said, you have this multiplier effect in markets, where the distributor is also doing marketing and is also active in the brand development for the country. It is a total success model.
		Derek: But from an internal perspective I would say that we maybe should have approached this all a bit more slowly and let's say should have prepared it more sustainably from the beginning instead of being forced to permanently react. […] I guess a solid research for various

		countries probably could have made things a bit easier.
		Derek: Since it was all done very quickly, we on the one hand face the externally oriented challenge that it all works out. On the other hand we also have to rework a lot of things internally and have to achieve a level of structure, where we really are competitive. Scalability is the key word here.
		Derek: [The objective] basically is working more efficiently, allocating the time more usefully, raising the quality level, putting it all on a broader human resource basis and thus making it more sustainable […].
		Daren: These replacements of distributors could have been avoided.
F5	ML (mixed)	Eddy: Yes, we of course discussed how to organize everything [the sales], that the effort is increasing massively and how we should handle the so-called knowledge transfer.
		Erik: The biggest hurdle is finding the right partner. And we really had a learning curve there.
		Erik: Outside of Europe, it doesn't make any sense for us from a cultural, financial or networking perspective to get active ourselves
		Erik: The main objectives are the re-establishment of fixed sales structures in the four Asian core countries A, B, C and D and a roadmap for the expansion into the Tiger states, probably in the sequence of country E, F and then G.
		Erik: The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […].
		Elias: Yes, we now start getting active in the business development field. But you have to be really careful, since today everything seems to be interesting and great but you also have to verify the potential for later.
S1	L	Fred: We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently and this triggered the change of partners towards Frank by the way. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel.
S2	ML	Gale: […] well, the collection size is definitely minimized by our financial means.
		Gary: […] if you are an as young brand as we are, a lot of processes don't really work. I mean, especially the supply chain with our manufactures first has to work before you can deliver certain quantities or products to other markets.
		Gabi: […] especially for more complex markets such as Central European country A, where you simply have to be present in the market, we are really testing and experimenting on a very costly level(…).
S3	L	Hans: Consequently, we are lacking automation in these processes. It's a lot of manual work, which of course takes much time.
		Hardy: This [the internationalization] had to be financed completely from our own funds. Consequently, it always only happened alongside.
S4	L	Ian: With our partner from Northern European country A [the exchange is] really, really limited. That's a true problem there […]. We really have no lever for letting the business grow.

Abbreviations: H: High; MH: Medium-High; ML: Medium-Low; L: Low

Table 21: Impact of PES and specific capabilities on venture (international) performance
Source: Own illustration

The next chapter will discuss the impact of the internally and externally oriented capabilities on the subsequent international expansion process and thus on future PES.

5.10 Feedback effect of capabilities formed on PES and the resultant complexity

Prior analysis revealed that high PES resulted in complexity (cf. chapter 5.2), that some startups responded to this complexity by forming specific internally and externally oriented capabilities (cf. chapter 5.3-5.5) and that these capabilities enabled ventures to handle the PES driven complexity and thus mediate the impact of PES on venture performance (cf. chapter 5.9). As the data moreover indicated, the level of capabilities formed had a considerable impact on the *subsequent PES,* that is the rate at which ventures proceeded with the international expansion, as well as on the increase in complexity induced by this subsequent PES (cf. Table 22).

In extant literature on firm internationalization, scholars take two differing perspectives on the question of how firms develop over time (Hutzschenreuter & Guenther, 2009; Hutzschenreuter, Voll, & Verbeke, 2011; Tan & Mahoney, 2005). On the one hand, scholars build on the *Penrose effect* (Penrose, 1995) and argue that fast growth in one period will yield slow growth in the subsequent period (Hutzschenreuter & Guenther, 2009; Hutzschenreuter et al., 2011; Tan & Mahoney, 2005). As Hutzschenreuter and Guenther (2009) pointed out, it is complexity, or more specifically firm's "ability to handle complexity that limits a firm's growth potential" (p. 374) and thus explains the Penrose effect. As the authors elaborate: "Firms are limited by their resources, capacity, and capabilities to cope with the complexity inherent in growth. The more complexity a firm faces due to its expansion in one period of time, the more likely its future rate of expansion will be slowed down" (p. 373). In the same way, Hutzschenreuter et al. (2011) suggest that the added cultural distance and cultural diversity due to the expansion in one period will increase the complexity related to both the environment and to internal factors and will thus have a negative impact on the expansion in the subsequent period.

On the other hand, scholars started to take a knowledge and capability perspective on this subject and argued that the experiential knowledge accumulated and capabilities formed over time will help ventures handle the uncertainty and complexity and will thus facilitate the *subsequent* expansion (Coviello, 2006; Fernhaber & McDougall‐Covin, 2009; Johanson & Vahlne, 1977; Jones & Coviello, 2005; Oviatt & McDougall, 2005; Weerawardena et al., 2007). The experiential knowledge concept is a basis of the PTI model proposed by Johanson and Vahlne (1977). The authors argue that the experiential knowledge accumulated enables firms to gradually expand to more distant countries and / or apply more committed entry modes. In the INV context, Oviatt and McDougall (2005) proposed that country scope of international expansion (among others) is influenced by internationalization related knowledge (foreign market knowledge) and a networking related capability. In the same vein, Weerawardena et al. (2007) suggested that the networking capability, marketing capability and market-focused- and internally-focused learning capabilities are key dynamic capabilities that enable young ventures increase their market scope (the number of countries). Jones and Coviello (2005) conceptualize INV internationalization as a dynamic process and reveal that (among others) attributes related to the organizational adaptation capabilities s (organic vs. mechanistic structure) will impact the subsequent internationalization behavior (including the internationalization rate and intensity). Fernhaber and McDougall-Covin (2009) revealed that venture capitalists are a potential "catalyst to new venture internationalization" (p. 277) since they provide valuable knowledge and reputational resources to young ventures and thus facilitate subsequent international expansion. Finally, Coviello (2006) revealed that market entries are often opportunistic and triggered by a pull of network partners.

The case data provides support for the knowledge and capability based argumentation (cf. Table 22). As the data revealed, the fast internationalizing ventures which formed a very strong set of capabilities (F1, F2, F3 and to a certain degree F4) all benefited from these skills in their subsequent market entries. They showed a strong subsequent PES and moreover experienced less complexity resultant from these additional entries. On the contrary, the startups with a lower capability level (F5 as well as S1, S2, S3, S4) suffered from this constraint and mostly reacted by further decreasing their PES.

For example, F1, F2 and F3 all benefited from strong internationalization process capabilities. Adam pointed out that for F1, the increasing systematization of the market entry eased further entries substantially and he added:

> "[P]robably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] We had a grip on IT and on all processes that had to happen on the business side" (l. 289-304).

In the same vein, Bill (F2) stated that F2's increasingly systematic market selection enabled the team to quickly check "whether we consider a market to be interesting or not" (l. 465-466), and that this speeded up the expansion and reduced the risk of failed entries.

For F1 and F2, organizational adaptations also fostered the future PES. F1 hired International Development Manager Arthur and put him in charge of "come[ing] up with a strategy in which markets and when and how we are planning a rollout – how it should look like" (Arthur, l. 321-322), which considerably eased and speeded up the subsequent expansion. Similarly, F2 formed a business development team which drove the "new market development" (Bernd, l. 97) and facilitated future entries.

Finally, for all three ventures (F1, F2, F3), the capabilities to leverage external supporters had a major impact on the PES and the resultant complexity. For example, Andrew (F1) pointed out that the investors "have internationalized extremely often before and have pushed us very intensely to enter many countries very fast" (l. 521-523). Arthur moreover referred to a certain pressure for the fast expansion based on the need to reach given milestones: "[W]e said: "We'll first enter just like that since we have to hurry up. We have to be fast. We now have a certain funding at our disposal and we have to reach our milestones"" (l. 367-369). Similarly, F2's investors encouraged the venture to "do additional countries" (Bill, l 253) and particularly fostered and eased the subsequent fast international expansion with "additional capital and network” (Brad, l. 435). Carl (F3) added that for their investors, the continued international expansion is “about speed” (l. 952-953) and “of critical importance” (l. 951), and that one investor supported and eased the subsequent expansion particularly active by connecting the venture to distributors in new countries.

For F4, the evidence was mixed. On the one hand capabilities formed in certain areas eased subsequent entries. For example, Dave emphasized that the relatively systematic internationalization based on “know[ing] and understand[ing] the markets a little bit” (l. 1349-1350) enabled the very fast expansion and he summarized: “So if you do it consciously, you can do it [the international expansion] really, really early and really, really fast, I think. I would definitely recommend this to everybody” (l. 1348-1349). In the same vain, he stated that their systematized market selection process resulted in “a plan of action” (l. 1375) for the future expansion. Dan added that F4’s abilities to leverage their distributors further eased the expansion and reduced the resultant complexity: “I mean we of course thought about whether it makes sense and how it is possible to grow that fast […]. But since we have the system of working with distributors” (l. 274-277). On the other hand F4’s expansion was also constrained by capability limitations in certain areas. For example, Dan revealed that the company refrained from entering a major market due to a lack of resources as well as a limited ability to handle the emergent complexity. As he stated: “[W]e thought about entering the market but stepped back due to this reason until now [a lack of resources]. That would be so complex” (l. 299-300). In addition, Derek pointed out that the lack of external support was hindering the expansion.

For F5, the low overall capability level was a clear constraint for the ongoing expansion. Erik revealed that the negative impact of their limited capabilities to leverage foreign distributors and specifically the limited ability to find local partners inhibited a PES-increase: “The biggest hurdle is finding the right partner” (l. 898-899). The limited organizational adaptation capabilities were also constraining. According to Erik, business development was still exclusively “the job of the CEO” (l. 396), although he admitted that the venture lacked “exact market knowledge and in particular a well-developed network” (l. 300-301), which both “are simply prerequisites” (l. 302) for an intensified expansion.

Similarly, all four slowly internationalizing ventures (S1-S4) were constraint in their subsequent expansion by their comparably low capability level and mostly reacted by further decreasing their PES.

For S1, S2 and S4, the low internationalization process capabilities had a particularly negative impact. Frank pointed out that for S1, this capability gap "was a main argument against entering several countries directly, since we first wanted to gather experience" (l. 282-283). Fred added that they "really thought about the next steps of going into a foreign country with a different language (l. 234-235) but "were uncertain how to" (l. 237). Similarly, Gary (S2) pointed out that S2's low internationalization process capabilities forced the venture to "focus on the markets […] where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe" (l. 162-165). Ian added that S4 first needs to generate learnings regarding the entry process before it might be able to handle additional entries and that the venture consequently will "go one step after the other" (l. 767-770).

For S2 and S3, the low capabilities to leverage foreign distributors were another major constraint. Gale pointed out, that for S2, "the largest one [hurdle] is finding these distributors" (l. 702). In the same vein, Hardy stated that S3's inability to gain a global distributor increased the complexity and resulted in a lower PES since working "with many small locals […] obviously is much more work" (l. 246). Hardy moreover revealed that S3's low ability to gain and manage partners resulted in a high complexity and consequently impeded new entries and a higher PES: "I'd say that in all other countries, we probably won't approach distributors actively. […] the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it" (l. 354-358).

Finally, process inefficiencies (S3) and the lack of leverage of external supporters (S1 and S3) were further limitations for an increased expansion rate that were mentioned in the interviews. Fred even pointed out that S1's former investor actively impeded their ambitions to "develop speed" (l. 398) in the international expansion.

Summing up, the data revealed that a high capability level considerably eased and fostered the subsequent PES and reduced the resultant complexity while a low capability level impeded the expansion. These findings were further supported by secondary data. Press research revealed that the three teams with the highest capability level also were the only teams that expanded into additional countries within the first nine month after the interviews[40]. F1 entered three (web_43), F2 two (web_44) and F3 (web_45) even eight new markets within a

[40] Time frame between interviews and completion of data analysis.

short period. An article on F2's continued expansion further supported the critical role of the capabilities formed. It was stated that the venture continues its aggressive international expansion and that "the experiences gained in individual markets […] are expected to ease subsequent market entries considerably" (web_46).

Importantly, the observed beneficial impact of strong internationalization related capabilities on the subsequent PES and the resultant complexity also has implications for the capability formation process. As shown in chapters 5.3 - 5.5, the level of complexity influences the capability formation intensity. Since higher levels of internationalization related capabilities reduce the complexity resultant from additional entries, the capability formation intensity triggered by these additional entries is also reduced. For example, F1 developed abovementioned check list on the market entry process based on the first three entries. Consequently, the venture could use this list, which made additional entries "very easy or at least well-planned" (Adam, l. 301) in its subsequent expansion without 'reinventing' it. Similarly, organizational adaptations such as the business development team mentioned by F1 and F2 or the senior hires mentioned by F1, F2 and F3 considerably reduced the complexity of subsequent entries and thus enabled these ventures to enter additional countries without major additional organizational adaptations.

Overall, the following proposition can be derived from the evidence presented:

> *Proposition 7a: For INVs, higher internationalization related capabilities increase future PES while a lower level decreases future PES.*
>
> *Proposition 7b: For INVs, internationalization related capabilities moderate the positive relationship between PES and internationalization related complexity such that the strength of the relationship decreases with a higher level of internationalization related capabilities.*

Team	Level	Statements from the interviews
F1	HP	Adam: […] probably from the third country onwards we had a checklist of things you have to go through – customs, […] returns, shipping costs. So really a checklist of things you have to manage. At the end, or from the tenth country onwards, it was very easy or at least well-planned. […] We had a grip on IT and on all processes that had to happen on the business side.
		Arthur: In fact I took over this topic. It was my job to build the team, to come up with a strategy in which markets and when and how we are planning a rollout – how it should look like.
		Andrew: [Fostering the internationalization] definitely were the investors we got in December since they have internationalized extremely often before and have pushed us very intensely to enter many countries very fast.
		Andrew: Venture capitalist A was the first investor and from the beginning was in favor of us entering other markets. But they have not pushed it as actively and were more like "hey, have a look at that. This could actually work well for your product." The incubator was more like: "Why aren't you present in 15 countries yet?"
		Arthur: […] we said: "We'll first enter just like that since we have to hurry up. We have to be fast. We now have a certain funding at our disposal and we have to reach our milestones." It is all predefined quite strictly.
F2	HP	Bill: Yes, I mean, by now, we have developed a really good formula for checking whether we consider a market to be interesting or not. And I believe finding that out really cost us money one or two times […] this was basically a learning that we are now applying.
		Bernd: It is a classic business development, which means we are trying to bring forward the extant countries, the international markets across all functional areas. […] and then there is also some kind of a consultant role, whereby we are also actively intervening. […] And the third thing is a bit of new market development.

		Bill: So on the one hand this [the internationalization] was a bit driven by the investors, since our investors […] approached us saying "hey don't you want to do additional countries?" Brad: I believe if I should bring it down to two [fostering factors for the internationalization] it would be capital, additional capital and network.
F3	HP	Carl: We actually searched for countries and we checked the expenditures in the health sector, the number of people living in these countries and the regulatory requirements. […] And the result was a list through which we then consequently went Carl: If we only focus on the early adopters in Germany, our development won't be nice at all. Thus it [the internationalization] is of critical importance to the investors. Simply because our market immediately gets much more interesting, because we become much more competitive and much faster. It's about speed. Carl: Well, the advisory board has helped a lot. A lot, a lot, a lot. In that sense I particularly have to say thank you to investor A […]. We gained several distributors through him.
F4	P (mixed)	Dave: In total, based on the given resource bottlenecks etc., I am actually very satisfied […]. So, I would (…) definitely advice companies in our industry to internationalize pretty fast. But consciously. […] You cannot enter the Chinese or American market opportunistically since you would simply burn too much ground. In small markets or in Europe, this works. […] So if you do it consciously, you can do it really, really early and really, really fast, I think. I would definitely recommend this to everybody. But you simply have to know and understand the markets a little bit […]. Dave: That's the plan for the next three to five years […]. But there we also selected eight countries for the next years, where we say that this is now the area of focus […]. I mean it is more a plan of action. We don't want to enter all countries in parallel without having the weapons ((laughing)) to be really successful. So we definitely want to continue expanding. Dan: Ok, I mean we of course thought about whether it makes sense and how it is possible to grow that fast. […] But since we have the system of working with distributors and since we produce in Asia. I mean, if the containers that are anyhow sent from there all arrive in Germany or if some of them are sent to Northern European country A doesn't make a difference to us. Dan: There was one country, American country A, where we thought about entering the market but stepped back due to this reason until now [a lack of resources]. That would be so complex. Derek: Looking forward, it will only be possible to enter many markets with a potent investor in the background, I think.
F5	N (mixed)	Erik: The biggest hurdle is finding the right partner. And we really had a learning curve there. The problem is that in Germany, you are always left alone for the internationalization and especially for exporting. Erik: For a company of our size, business development always is the job of the CEO. Erik: Yes, in Asia, and basically everywhere else as well, we are facing network problems. I mean this network focus in fact not only is an Asian phenomenon and you therefore need sales people with the according contacts and access […]. The exact market knowledge and in particular a well-developed network are simply prerequisites. But you don't have this as a young startup. Erik: The primary change was the requirements analysis in the sales and contracting process. It became more detailed and more focused on avoiding the potential overlooking of things by customers […]. Elias: Yes, we now start getting active in the business development field.
S1	HN	Frank: This means not to lose track, not to cover too many topics at once, because if you can't manage it any more, it will all go down the plughole, you realized that you don't do things right. […] This was the counter argument against entering several countries at once, since we also wanted to gain experience. I mean, I have never founded a company in Northern European country A, I had no idea how this works, which contracts are required; and I mean, it really is all a huge task with all the tax legislation, registrations, HR and labor contracts, […] you first have to make this experience. Northern European country A is a huge market and we want to learn from there and go from there. Fred: Complexity [was an internationalization hurdle]. [...] we then really thought about the next steps of going into a foreign country with a different language. We knew that we wanted to do it, but we were uncertain how to. Fred: […] we are now looking at an additional country and are checking whether or not we are able to gain ground. And how well do we perform, which errors do we potentially make? And that's why we took so much time between Northern European country A and B. […] for some reason it all progressed much slower than anticipated. Fred: We have a pretty unique business model, but it won't always be like that and thus we have to develop speed for the internationalization. The employees of our investor, however, saw that differently […]. My biggest objective always was enthusing the partners for the internationalization. But I could only do this when promising that the German business won't suffer and that it doesn't cost anything. How do you do this? By doing it in parallel.
S2	HN	Gary: […] we also have to focus on the markets […] where there are no issues regarding customs or delivery, and only afterwards we should address interesting markets outside of Europe. Gale: In fact, the largest one [hurdle] is finding these distributors […]. Gabi: […] it would make sense to identify additional sales agencies […] finding distributors for every country that are actively supporting the entry in the respective country, and only then getting deeper and more intensely into the market.
S3	HN	Hardy: The question only is at which pace and with how much effort [should you internationalize]. We obviously would have preferred finding a global distributor who could offer a one stop service. […] But unfortunately you don't find somebody like that as a startup, so you have to start with many small locals. It obviously is much more work controlling all that. Hardy: And I'd say that in all other countries, we probably won't approach distributors actively. If we find somebody who fits well, then maybe, but the effort of finding a distributor for every single country, of courting, controlling and motivating him (…), this really gets very complex at some point. You would need a manager for it.
S4	HN	Ian: Once being done with European country B we probably should be able to handle this. I'd say it all depends on what we learn in Northern European country B, how that works out. And depending on the situation there (...) we'll go one step after the other.

Abbreviations: HP: Highly Positive; P: Positive; N: Negative; HN: Highly Negative

Table 22: Feedback effect of capabilities formed on the subsequent PES
Source: Own illustration

In the next chapter, the findings of the empirical analysis will be summarized and the major contributions to extant literature discussed.

6 Synthesis and contributions

In this chapter, the key findings from the analysis presented will be synthesized (chapter 6.1). Thereafter, these findings will be compared to extant literature and the theoretical contributions will be derived (chapter 6.2). Finally, the practical implications will be discussed (chapter 6.3).

6.1 Synthesis of findings

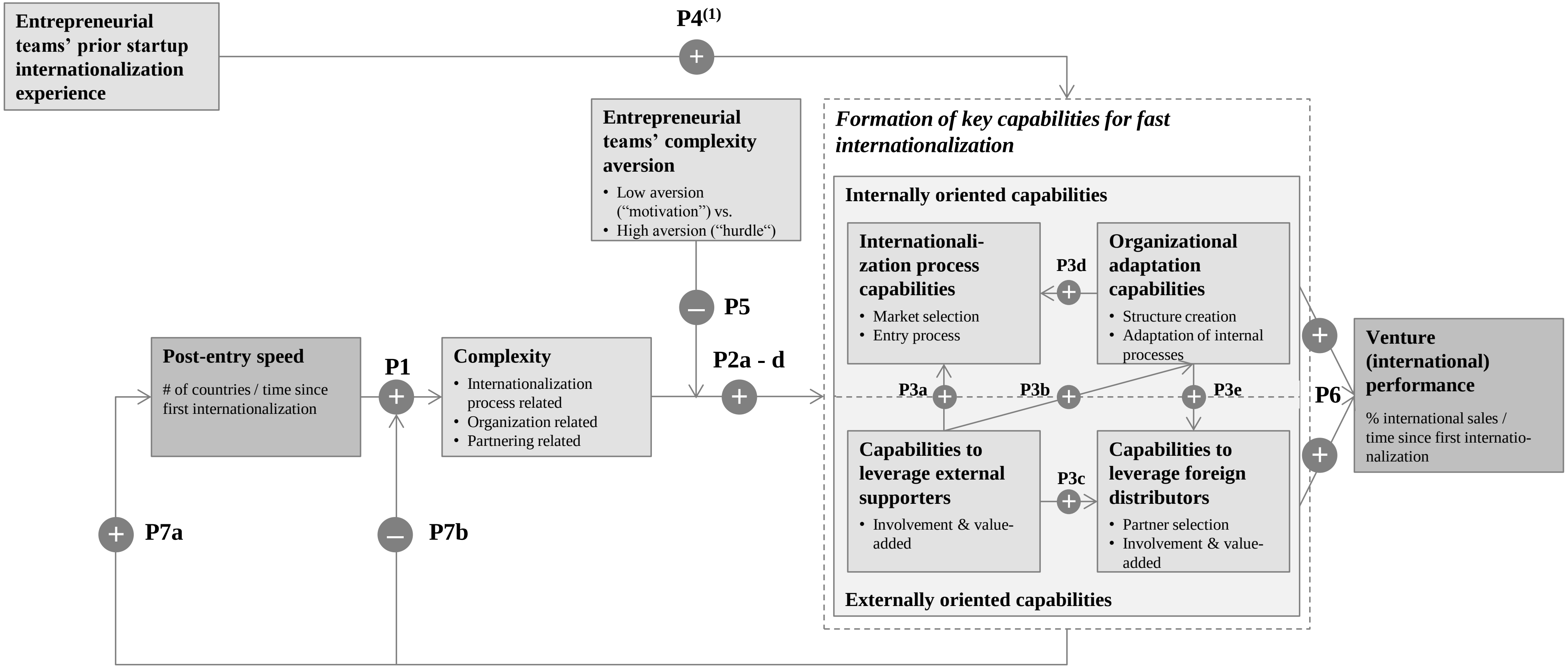
The objective of this research was shedding more light on the conceptual and empirical confusion regarding the performance implications of early internationalization by exploring the contingent factors of this relationship. For this purpose, a case study research was performed and the internationalization of nine startups was analyzed in detail. Survey data, field notes and secondary data were used to enrich the analysis and substantiate the findings.

The first important outcome was that PES translated into specific fields of complexity and that the higher the PES, the higher the overall complexity faced. The second key finding was that startups responded to the emergent complexity by forming specific capabilities, and that the intensity of the response depended on both the level of complexity faced and entrepreneurial teams' aversion towards complexity. While startups with a high PES and thus complexity faced and a low aversion towards complexity responded by intensively forming specific capabilities, startups with a low PES and / or a high complexity aversion showed a lower capability formation. The third finding was that the high capability level achieved by certain high PES startups enabled these firms to handle the complexity faced, and thus to achieve strong international performance despite a high complexity level. Low PES firms and firms with a low capability level on the other hand struggled with complexity and ultimately benefited less from the international expansion.

More specifically, ten propositions were derived from the evidence presented. The empirical data revealed that higher PES increases the level of internationalization related complexity and in particular the internationalization process, organization and partnering related complexity (proposition 1). The data also showed that this internationalization related complexity mediates the positive relationship between PES and the formation of specific internally and externally oriented capabilities. The internally oriented capabilities are the *internationalization process capabilities*, that is the increasing systematization of the market selection as well as the market entry process (proposition 2a), and the *organizational adaptation capabilities*, described as improvements in structure and processes (proposition

2b). The externally oriented capabilities formed are the *capabilities to leverage external supporters* or more specifically, the ability to attract and use financial and non-financial resources (proposition 2c), and the *capabilities to leverage foreign distributors*, defined as the abilities to attract and use direct (distribution) and indirect (e.g. marketing, innovation) support (proposition 2d). The analysis furthermore revealed that these internationalization related capabilities formed to handle the PES driven complexity are interrelated (proposition 3) and that certain capabilities support the development of other capabilities (proposition 3a-e). Interestingly, some startups did not fully follow aforementioned path of intensive capability formation as a response towards high PES and high resultant complexity. A detailed analysis uncovered that, firstly, some startups already start at a high initial capability level and that this high level can be explained by entrepreneurial teams' prior startup internationalization experience (proposition 4). Secondly, the data showed that startups highly deviated with regard to the complexity aversion of their entrepreneurial teams and that this attitude moderates the complexity-capability formation-relationship such that a low complexity aversion strengthens the formation of internationalization related capabilities while a high aversion hinders the formation process (proposition 5). With respect to the performance implications, evidence showed that INVs with a high capability level can handle the high emergent complexity and thus achieve a better performance (proposition 6). Finally, the analysis revealed a feedback effect of the capability level achieved on the subsequent PES and the resultant complexity. Specifically, higher internationalization related capabilities formed to handle the PES driven complexity were found to increase future PES while a low capability level had a decreasing impact (proposition 7a). Moreover, these capabilities were found to moderate the positive relationship between PES and internationalization related complexity such that the strength of the relationship decreases with a higher level of internationalization related capabilities (proposition 7b).

Based on these findings and propositions, a model on the impact of PES on INV performance was derived. This model is illustrated in Figure 19 below. In the next section, these findings will be contrasted with extant literature and the major theoretical contributions will be presented.



(1) Entrepreneurial teams' prior startup internationalization experience influences initial capability level

Figure 19: Model on the impact of PES on venture (international) performance
Source: Own illustration

6.2 Theoretical contributions

This dissertation provided insights into INV internationalization and the resultant performance implications. Based on an in-depth case study research, PES could be uncovered as a key influential factor for venture internationalization and performance. Moreover, this research revealed that ventures formed specific capabilities as a response to the PES induced complexity and that these capabilities also had a high impact on the performance outcomes.

Based on these findings, contributions related to (i) the internationalization-performance-relationship and its contingencies, (ii) the role and importance of PES, and (iii) internationalization related capabilities could be derived. These contributions will be discussed in the following.

6.2.1 Contingencies of the internationalization-performance-relationship

Firstly, this research contributed to a better understanding of the relationship between venture internationalization and performance by investigating the ""black box" in the middle" (Wagner, 2004, p. 448), that is influential factors in this context (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004).

Extant research revealed that the internationalization-performance-link is subject to considerable conceptual and empirical confusion (Hsu et al., 2013; Kuivalainen et al., 2007; Morgan-Thomas & Jones, 2009; Prange & Verdier, 2011; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). Scholars found empirical support for linearly positive or negative relationships, inverted-U-shaped or even S-shaped curves (Autio et al., 2000; Geringer et al., 2000; Lu & Beamish, 2004; Vermeulen & Barkema, 2002; Wagner, 2004). To shed more light on the insufficiently understood relationship between early internationalization and performance, scholars called for more research focus on the contingent factors of this relationship (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Wagner (2004) pointed out that "by adopting a contingency perspective (i.e., by searching for moderators and mediators), future researchers could simultaneously provide more conceptual depth on two important elements: (1) the performance implications of international expansion and (2) the black box of the internationalization-performance link, which is assumed to exist but has yet to be addressed" (p. 458).

While several contingent factors such as founder's managerial experience (Sapienza et al., 2006) and entrepreneurial orientation (Sapienza et al., 2003) as well as the knowledge intensity (Sapienza et al., 2003) and resource fungibility (Sapienza et al., 2006) were already analyzed and have substantially contributed to a better understanding of the internationalization-performance-link, they have not sufficiently explained the inconsistent results yet (Bloodgood et al., 1996; Carr et al., 2010; Kuivalainen et al., 2007; Prange & Verdier, 2011).

This explorative case study research extends current research on the internationalization-performance-relationship and its contingencies by uncovering *how* early internationalization influences venture performance, and which factors influence the interrelation. In line with abovementioned calls for more in-depth research on this subject, this dissertation explored the contextual and temporal factors behind superior international performance and uncovered two contingent factors (*post-entry speed* of venture international expansion and *internationalization related capabilities)*. Moreover, it explored the interrelation of these contingent factors with the internationalization-performance-relationship and derived a dynamic, learning based theoretical model from this observed interrelation.

6.2.2 The role and influence of post-entry speed

As this research uncovered, the performance outcome of the international expansion was highly influenced by the *post-entry speed* ventures adopted, that is the pace of their international expansion once the first foreign market entry occurred (Prashantham & Young, 2011). By exploring the role and importance of PES in the context of INV internationalization, this research contributed (i) to a better understanding of PES as a dynamic factor underlying the internationalization process as well as (ii) to its impact on venture performance.

6.2.2.1 Post-entry speed in venture internationalization

While extant research conceives firm internationalization as a dynamic process and identified time as a central factor in explaining and understanding the internationalization process and its performance implications (Casillas & Acedo, 2013; Eden, 2009; Jones & Coviello, 2005), scholars so far mostly focused on exploring the time between foundation and first market entry, described as initial entry speed (Autio et al., 2000; Casillas & Acedo, 2013; Kuivalainen et al., 2012; Prashantham & Young, 2011). However, *post-entry speed*, that is the subsequent dynamic internationalization process and "*how* the process develops over time [remains] quite underresearched" (Casillas & Acedo, 2013, p. 26).

There are only very few papers exploring PES so far (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). In particular, only two articles (Sleuwaegen & Onkelinx, 2014; Verdier et al., 2010) explored PES and its implications in the context of INV internationalization – although these young ventures are very resource constrained and thus the rate at which they increase the international presence seems to be particularly critical for their performance and even survival (Prashantham & Young, 2011). These articles are both based on quantitative studies and focused explicitly on the direct effects of age and PES on performance (and interestingly reported conflicting performance outcomes of PES based on different underlying theoretical concepts). While this approach has contributed to a better understanding of the PES-outcome-relationship, it does not explore *how* PES is interrelated with INV internationalization and what dynamics and contingencies are influencing this relationship.

This dissertation tries to fill this gap by using a qualitative approach to get a deeper understanding of the PES-INV internationalization-relationship and to identify the underlying contingencies and dynamic processes which are hard to capture in quantitative studies. Based on case study research, it explored the internationalization behavior of nine INVs and analyzed their PES of international expansion as well as the implications derived from this path. The analysis revealed *how* PES impacts the internationalization process and its outcomes and which dynamic processes are underlying this relationship. It uncovered that PES drives complexity, and through this triggers the formation of specific internationalization related capabilities and ultimately impacts ventures' performance as well as the subsequent internationalization pattern and the complexity resultant from these additional entries. In total, the qualitative data allowed to go beyond the sheer testing of outcomes and to extend the research by Sleuwaegen and Onkelinx (2014) and Verdier et al. (2010) by uncovering the contingencies and dynamic processes behind PES and its interrelation with venture internationalization. By exploring the mechanisms through which PES impacts venture internationalization and its outcomes, this research moreover addressed calls for more research by Kuivalainen et al. (2012), who stated that the "lack of studies [on PES] is unfortunate, as the speed of the firms subsequent international growth actually determines the later cumulative stages of the various internationalization patterns" (p. 374).

6.2.2.2 Performance implications of post-entry speed

This research not only provided insights into the role of PES in the context of venture internationalization, it also contributed to the better understanding of the impact of PES on the performance outcomes by uncovering the dynamic mechanisms and influences behind this relationship.

The little extant research on the performance implications mostly assumes that high PES has a negative influence on sales growth (Verdier et al., 2010), profitability (Jiang et al., 2014; Vermeulen & Barkema, 2002), cost efficiencies (Wagner, 2004) and survival chances (Jiang et al., 2014; Sleuwaegen & Onkelinx, 2014). This negative impact is argued to result from an increasing amount of complexity and thus inefficiencies induced by higher PES (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). More specifically, these authors emphasized that each foreign market entry triggers complexity, that ventures' ability to cope with this complexity is limited and that complexity thus translates into time compression diseconomies and ultimately into negative performance[41] (Jiang et al., 2014; Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004).

Interestingly, learning based research takes a different perspective and suggests that complexity arising from fast international expansion might not only have a deteriorating impact on venture performance. The internationalization induced complexity was found to also trigger the formation of capabilities (Autio et al., 2011). As Autio et al. (2011) suggested, the uncertainty, "ambiguity, variability, and complexity" (p. 14) triggered by international expansion has a highly positive influence on the formation of organizational capabilities that enable and facilitate the continued internationalization. Moreover, INV research revealed that, due to the absence of extant routines, early internationalizing ventures enjoy learning advantages of newness (LAN) which enable them to learn from international markets and to form capabilities particularly quickly (Autio et al., 2000; Knight & Cavusgil, 2004; Sapienza et al., 2006). Surprisingly, only Sleuwaegen and Onkelinx (2014) considered the concept of learning when analyzing PES and its performance implications so far. However, the authors only referred to the concept of LAN, but did not explore the resultant learning process and / or capability formation.[42]

[41] Interestingly, no study explicitly measures complexity or the resultant time compression diseconomies.
[42] For contributions on the capability formation and the specific internationalization related capabilities uncovered in this research, please refer to chapter 6.2.3.

This dissertation contributed to a more comprehensive understanding of the performance implications of PES by uncovering and exploring the impact of both TCD and learning / capability formation on this relationship. The very little extant research in this context so far only applied these concepts in isolation (and only one paper considered the concept of learning in the context of PES at all). However, as the data revealed, TCD and learning / capability formation are highly interrelated. More specifically, the data revealed that PES triggered considerable complexity and that this complexity was a potential source for inefficiencies and thus negative performance implications (as suggested by TCD). The ventures observed were found to experience three distinct types of complexity – internationalization process, organization and partnering related complexity – and several ventures clearly suffered from the resultant negative implications (esp. F5). However, the data also revealed that some ventures (esp. F1, F2 and F3) *responded* to the PES induced complexity by forming certain internationalization related capabilities, specifically, *internationalization process capabilities*, *organizational adaptation capabilities*, *capabilities to leverage external supporters* and *capabilities to leverage foreign distributors*. These specific capabilities were found to enable these ventures to handle the complexity faced and avoid or at least minimize inefficiencies and thus negative performance consequences. Finally, the case data revealed that these specific capabilities not only facilitated the handling of complexity stemming from 'past' entries; but also considerably eased and fostered *subsequent* entries (esp. for F1, F2 and F3) – and reduced the additional complexity stemming from these entries. Thus, strong internationalization related capabilities were found to be an important antecedent of the future expansion process, that is the *subsequent PES*. In the same way, a low capability level was found to have an adverse effect and thus mark a hurdle for subsequent entries.

In total, this dissertation extends research on the performance implications of post-entry speed by uncovering how this relationship is impacted by both TCD and learning / capability formation. While scholars so far only analyzed these two concepts in isolation, this explorative research uncovered that (and how) TCD and learning / capability formation are highly interrelated and that both concepts (and their dynamic interrelations) need to be considered to get a comprehensive understanding of the PES-performance-link.

By shedding more light on the performance implications of PES, this dissertation addressed explicit calls for more research on this subject (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). Incorporating a capability perspective and exploring the role of specific capabilities as influential factors of PES and international performance, this research moreover addressed calls for more focus on capabilities in this context (Autio et al., 2011; Gassmann & Keupp, 2007; Prange & Verdier, 2011; Prashantham & Young, 2011; Zhou & Wu, 2014).[43]

Finally, these findings extend extant research on complexity / TCD in the context of venture internationalization. While scholars so far did not explicitly define or measure complexity in this context (Verdier et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004), this research uncovered, defined and measured three distinct types of complexity – internationalization process, organization and partnering related complexity. It moreover revealed how complexity interrelates with PES, the formation of internationalization related capabilities and ultimately venture performance outcomes.

6.2.3 The role and influence of internationalization related capabilities

As mentioned, this dissertation uncovered that some ventures responded to the increase in PES driven complexity by forming specific internationalization related capabilities. Based on these observations and on insights into these specific capabilities and their interrelation with PES, complexity and performance, several contributions to capability theory and the role of capabilities as an influential factor of venture internationalization and performance could be derived. More specifically, this research (i) provided additional insights into capability formation by shedding more light on how internationalization related complexity translates into capabilities; (ii) contributed to the better understanding of capabilities and their importance for venture internationalization and performance by identifying key capabilities for a fast international expansion, by refining and extending their conceptualizations and by exploring their specific impact on venture performance and the future international expansion; and (iii) enabled a better understanding of the interrelation of capabilities by uncovering how the internationalization related capabilities influence each other. These contributions will be discussed in detail in the following.

6.2.3.1 Capability formation in light of internationalization related complexity

As mentioned, the case data revealed that some ventures responded to the increase in PES driven complexity by forming specific internationalization related capabilities. This finding is in line with extant research on capability formation by Autio et al. (2011), who suggested that

[43] As stated above, for contributions on the capability formation and the specific internationalization related capabilities uncovered in this research, please refer to chapter 6.2.3.

the uncertainty and complexity resultant from the international exposure are a trigger for capability formation. However, the data furthermore revealed that this capability formation process is highly impacted by two influential factors so far neglected in this context: Entrepreneurial teams' *complexity aversion* and *prior startup internationalization experience.*

Entrepreneurial teams' complexity aversion as a moderator of capability formation

As the case study findings uncovered, the capability formation process triggered by the PES induced complexity is not an automatism but dependent upon *entrepreneurial teams' complexity aversion* that is *the degree to which the entrepreneurial team evaluates complexity negatively and shows reluctance, avoidance and inertial reactions.* For some ventures (particularly F1, F2 and F3), this aversion was found to be particularly low. Their entrepreneurial teams (i.e. the founders and key employees) interpreted the internationalization related complexity as a *motivating force* to initiate change and to further improve the extant capability set. On the contrary, other teams (particularly F5) seemed to perceive the high, PES induced complexity as a negative, overwhelming and *demotivating influence*. They had a high aversion and thus the complexity faced did not trigger a strong capability formation process but rather an active slowdown of the internationalization process.

By using a contingency perspective by uncovering that complexity aversion is a strong predictor of whether high complexity will translate into capabilities, this dissertation goes beyond learning and capability theory in the INV context. It also goes beyond Autio et al. (2011), who assume that the "ambiguity, variability, and complexity" (p. 14) triggered by the international expansion automatically results in capability formation. The research shows that the internationalization induced capability formation process is significantly influenced by venture's complexity aversion.

This finding parallels extant research on entrepreneurial actions by McMullen and Shepherd (2006), who argue that entrepreneurial actions in general are impacted by "the amount of uncertainty perceived and the *willingness to bear uncertainty*" (p. 132, emphasis added). As the research shows, not only entrepreneurial actions like creating new products or entering new markets, but also learning and capability formation are influenced by this attitude. The finding moreover complements research in the context of venture internationalization, which identified related entrepreneurial characteristics and cognitive traits such as risk perception (Acedo & Jones, 2007; Jones & Coviello, 2005; Kuivalainen et al., 2007; Weerawardena et al., 2007), tolerance for ambiguity (Acedo & Jones, 2007) and managerial attitudes (Preece et al., 1999) to be important antecedents of early and successful international venturing. The dissertation uncovered entrepreneurial teams’ complexity aversion as an additional cognitive factor, and showed how it interrelates with venture internationalization, capability formation and performance outcomes.

In sum, the identification and conceptualization of entrepreneurial teams’ complexity aversion and its impact on the capability formation process in light of internationalization induced complexity provided an important addition to capability formation theory and the interrelation with cognitive processes. Moreover, the dissertation addressed the call for more studies on the “interactive relationships between internationalization speed, cognition and performance over time” (p. 248) by Acedo and Jones (2007) by showing how complexity aversion interrelates with PES, capability formation and ultimately performance.

Entrepreneurial teams’ prior startup internationalization experience as a facilitator of capability formation

While most startups analyzed in this research started from a low capability level and gradually had to form the specific skills required to cope with the internationalization related complexity (which, as discussed, not all startups achieved), two ventures (F1 and F2) revealed a surprisingly high initial level of internationalization related capabilities. As the data showed, the high initial level of these ventures was (partially) explained by specific prior international experiences of the entrepreneurial teams (i.e. the founders and key employees).

Extant research already recognized the importance of prior (international) experience as an influential factor of capability formation (Autio et al., 2011; George et al., 2004; Reuber & Fischer, 1997; Sapienza et al., 2006) and showed that it gets incorporated into firm’s set of routines (Reuber & Fischer, 1997) and thus strengthens the initial level of internationalization process related capabilities (Autio et al., 2011; George et al., 2004). However, research in this context so far discussed a very broad set of factors indicating international experience, ranging from more general attributes such as having lived, studied or even traveled abroad to more business specific factors such as prior experience in conducting international business and having worked abroad or in an international firm / MNC (Reuber & Fischer, 1997; Sapienza et al., 2006; Weerawardena et al., 2007; Zucchella et al., 2007). Despite the widespread support for the importance of prior knowledge, Evers and O'Gorman (2011) pointed out: “While the concept of prior knowledge offers a persuasive explanation for how entrepreneurs starting INVs discover entrepreneurial opportunities, the nature of prior knowledge needs to be clarified” (p. 567).

The case data in this dissertation uncovered that a more venture internationalization specific type of prior experience was of particular relevance for the high initial level of internationalization related capabilities certain ventures revealed (esp. F1 and F2). The founders and key employees of these ventures possessed a particularly strong *prior startup internationalization experience* that is, strong *experience gained with the internationalization of startups prior to founding or joining the current venture*. It was this specific experience of the entrepreneurial teams that (among others) enabled these ventures to start from a surprisingly high initial capability level, and thus to expand internationally at a high PES and to cope with the resultant complexity. For example, for F2, one founder and several Co-Founders and key employees were involved in or responsible for the international expansion of at least one other venture prior to starting or joining F2. The venture considerably benefited from this experience and for example could transfer learnings on the market entry process and the entry mode choice.

This dissertation thus extended current research on the role of prior experience in the context of venture internationalization and addressed abovementioned research call from Evers and O'Gorman (2011) by uncovering and defining an important, so far neglected type of international experience – entrepreneurial teams' prior startup internationalization experience. The data showed how this specific type of experience is linked to – and beneficial for – internationalization related capabilities and ultimately venture international performance. Overall, this research thus contributed to a better understanding of prior international experience and its impact on capability formation and venture internationalization.

6.2.3.2 Capabilities for a fast and successful international venturing

As stated, this dissertation uncovered specific capabilities – *internationalization process capabilities, organizational adaptation capabilities, capabilities to leverage external supporters and capabilities to leverage foreign distributors* – that ventures were found to form in order to cope with the PES induced complexity and to achieve a strong international performance in light of a fast international expansion.

While extant research underlined the key importance of capabilities for venture internationalization, for coping with the associated uncertainty and complexity, and for achieving superior (international) performance (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kuivalainen et al., 2010; Sapienza et al., 2006; Weerawardena et al., 2007), it so far only provided limited insights into the specific capabilities relevant in this context. The few capabilities so far discussed to have an impact on venture's international performance are marketing capabilities (Knight & Kim, 2009; Weerawardena et al., 2007; Zhou et al., 2012), market orientation (Blesa et al., 2008; Knight & Kim, 2009), innovation related capabilities (Knight & Kim, 2009; Zahra et al., 2000), networking related capabilities (Weerawardena et al., 2007; Zhou et al., 2010), and knowledge related capabilities (Zhou et al., 2010).

This dissertation contributed to extant capability research by shedding light on the specific capabilities ventures need to develop in order to cope with the complexity stemming from a fast international expansion. It moreover contributed to the clearer conceptualization of these specific capabilities identified – and to the better understanding of *how* they interact with PES, complexity and ultimately performance. These capability-specific contributions will be discussed in the following.

Internationalization process capabilities

As the data revealed, several ventures responded to the PES driven complexity by refining and systematizing their market selection and market entry process. Based on these findings, *internationalization process capabilities,* defined here as *active and systematic approach towards the market selection as well as the entry process*, were proposed to be a key skill set for coping with the internationalization related complexity and for achieving strong international performance.

Extant research already discussed the formation of related capabilities in the INV internationalization context, however, so far focused exclusively on the market entry process. George et al. (2004) revealed that the market entry related uncertainty triggers the formation of international market entry capabilities, described as entry organizing- and market intelligence related skills that facilitate the market entry process (i.e. the process from planning the entry until the generation of first sales). In the same way, Autio et al. (2011) showed that ventures respond to the uncertainty stemming from early international expansion by forming entry related capabilities, termed organizing activities and cognitive maps. Moreover, both articles focus on the formation process behind the respective capabilities and only briefly mention beneficial impacts of these capabilities such as the enhanced mastering of the uncertainty and complexity (but both did not include performance outcomes in their analyses).

This focus on the entry process (and the negligence of the market selection process) is surprising, given that extant research underlined the high importance of selecting the 'right' market. For example, He and Wei (2011) stated that market selection is a "key strategic decision" (p. 535) in the internationalization process and "must match the firm's own-specific resources and capabilities for optimal performance" (p. 535). In the same vein, He and Wei (2013) revealed that the choice of the 'right' export market location has major performance implications. As they stated: "The decision entails large sunk costs including the non-recoverable time, efforts and costs in gathering and learning information and knowledge on demand conditions overseas, upgrading product quality, establishing marketing channels, and negotiating and enforcing new contracts and ongoing resource commitments. Reversing it may involve considerable loss. The decision making, however, is complex and difficult" (pp. 559–560).

This dissertation contributed to research in this context by extending extant conceptualizations of internationalization process related capabilities by George et al. (2004) and Autio et al. (2011). As the data revealed, ventures not only optimize their market entry process (i.e. *how* to enter a market), they also systematize their market selection process (i.e. *which* market to enter) as a response to the increasing internationalization related complexity. Consequently, the market selection process was suggested to be a key component of the internationalization process capabilities and was explicitly included in the proposed definition. Moreover, this research contributed to a better understanding of the impact of this capability on venture performance – and on the future expansion path. While George et al. (2004) and Autio et al. (2011) did not specify the performance implications, the data uncovered that (and how) ventures forming strong internationalization process capabilities (esp. F1 and F2) as a response to the high complexity faced, could derive considerable benefits from it. For example, F2 considerably improved both the market selection and market entry process based on (partially painful and expensive) learnings, and is now able to thoroughly evaluate the market attractiveness upfront (which reduces the likelihood of failed entries) and to enter markets and scale them very fast and well-planned. Related, internationalization process capabilities were found to be an important antecedent for the future international expansion. For example, F4 was able to derive a roadmap for the future expansion from its increasingly systematized market selection process, and thus expects to accelerate its internationalization.

In sum, this dissertation extended the research in this context by George et al. (2004) and Autio et al. (2011) by providing a more comprehensive conceptualization and definition of internationalization process capabilities (including the market selection process) and by uncovering how this capability set interrelates with complexity and ultimately venture performance.

Organizational adaptation capabilities

As the case study findings revealed, several ventures (esp. F1, F2 and F3) also responded to the PES driven complexity by forming *organizational adaptation capabilities,* that is by optimizing their organizational structure and processes.

While extant INV research so far did not conceptualize organization related capabilities, it already discussed the importance of certain organizational characteristics such as the reliance on alternative organizational structures like hybrid partnerships or network structures (Oviatt & McDougall, 1994), the formalization, centralization and departmentalization (Kocak & Abimbola, 2009) and the organic vs. mechanistic design of the organizational structure (Jones & Coviello, 2005) for early and successful international expansion and for venture's financial and non-financial performance (organizational learning). MNC research provided more explicit insights into important activities and skills underlying the organizational adaptation. For example, the establishment of specific types of structures (e.g. a matrix organization) (Franko, 1976; Stopford & Wells, 1972), the creation of coordination and control mechanisms (e.g. formalization) and decision patterns (e.g. centralization) (Martinez & Jarillo, 1989; Schollhammer, 1971; Wiechmann, 1974) as well as the establishment of organizational norms and values or the use of specific internal communication vehicles (including task forces, conferences, frequent travels and personal contacts) (Bartlett & Ghosbal, 1987) were suggested to be important measures in the organizational context. But in the INV context, conceptualization of the specific capabilities underlying the organizational adaptation could not be found.

This dissertation extended research in this context by providing insights into the concrete skills and activities behind the organizational adaptation. As the case data revealed, several ventures (esp. F1, F2 and F3) responded to the PES induced complexity by two distinct measures. Firstly, they refined their *organizational structures* by means of adjusting the overall structure (such as the creation of a 'matrix-organization'), forming departments, changing roles and responsibilities, and hiring key employees. Secondly, they were found to adapt their *organizational processes*, which include both internal processes such as knowledge management, and communication processes and external processes such as logistics. Based on these observations, this research could provide a more complete conceptualization of organizational adaptation capabilities as *the abilities to dynamically adjust the organizational structure and processes to function competitively in the* *international setting.* Moreover, it could specify key activities and measures underlying this capability (i.e. adaptations in the organizational structure and in organizational processes).

Finally, this dissertation provided additional insights into the performance implications of this specific capability set. The few papers discussing the performance impact of organizational attributes (Jones & Coviello, 2005; Kocak & Abimbola, 2009) proposed a beneficial impact but provided little insights *how* these benefits accrue. This research uncovered the particular importance of this skill set for coping with the complexity stemming from a high PES and thus contributed to a more complete understanding of the mechanism underlying the beneficial performance impact (particularly in light of a fast-pace international expansion). It moreover uncovered that organizational adaptation capabilities not only foster the performance outcomes by mitigating complexity, but also facilitate subsequent entries and the continued internationalization and thus are an important antecedent for the future PES of international expansion.

In total, this dissertation extended research in this context by uncovering and defining the specific skills and activities underlying the organizational adaptation capabilities. It moreover complements research on the performance impact by Jones and Coviello (2005) and Kocak and Abimbola (2009) by revealing *how* this capability translated into performance benefits.

Capabilities to leverage external supporters

As this dissertation uncovered, ventures also responded to the complexity stemming from a high PES by forming strong *capabilities to leverage external supporters* such as VCs, business angels and incubators.

Extant research already confirmed that VCs or related supporters can be of high importance for their ventures since they are able to provide valuable support (Chen, 2009; Fernhaber & McDougall-Covin, 2009; Fried et al., 1998; Large & Muegge, 2008; Mäkelä & Maula, 2005; Sapienza, 1992; Sapienza & Manigart, 1996). Interestingly, scholars so far mostly focused on the importance of VC ownership (Carpenter et al., 2003; Fernhaber & McDougall-Covin, 2009; George et al., 2005), but did not explore the underlying capabilities ventures need in order to maximize the beneficial impact of this support. Only one article (Kuivalainen et al., 2010) started to explore capabilities in this context and identified financial capabilities (which e.g. include abilities such as investment expertise, but also the connection to investors and the ability to persuade them) to be an important skill set for ventures in light of their international expansion. Moreover, there is surprisingly little research on VC ownership or related attributes in the context of venture internationalization. The few articles on this subject mostly conceptualize VC ownership as a driver of international activities (Carpenter et al., 2003; Fernhaber, 2013; George et al., 2005) and only one paper (Kuivalainen et al., 2010) started to analyze the impact on the internationalization-performance-relationship (and reported a positive relationship). But as scholars pointed out, we so far “know little about the relationship between VC ownership and new venture internationalization” (Fernhaber & McDougall-Covin, 2009, p. 277) and thus “external owners influence [on] SMEs’ internationalization invites additional research” (George et al., 2005, pp. 229–230).

The contribution of this dissertation to a better understanding of the role and value-added of VCs and related supporters is twofold. First, it extended the research by Kuivalainen et al. (2010) by providing a more complete conceptualization of the underlying capabilities behind leveraging these supporters. Based on the rich dataset, *capabilities to leverage external supporters* were defined as *the abilities to attract and use financial and non-financial resources provided by VCs and other supporters*. The data moreover revealed that the key skills behind the successful leverage are assuring a high *involvement and value-added* of the supporters. The involvement was found to include measures such as a frequent interaction as well as a proactive inclusion in key decisions (e.g. the market selection) and even rather operative activities such as the acquisition of customers. The value-added reflected both the financial (monetary) and non-financial support received (e.g. sharing of best practices related to the international expansion and the provision of contacts to (international) customers and business partners).

By uncovering that not only the sheer possession of external supporters, but also ventures’ ability to *actively leverage* this support is important, this dissertation extended research in this context (Carpenter et al., 2003; Fernhaber & McDougall-Covin, 2009; George et al., 2005) which, as Fernhaber and McDougall-Covin (2009) pointed out, so far placed a narrow “focus on a single attribute of the VCs, such as the extent of ownership” (p. 278). Moreover, it complemented the research by Kuivalainen et al. (2010) by shedding more light on the specific skills ventures need to form in order to increase this leverage.

Secondly, this research contributed to the so far insufficiently understood role and impact of external supporters on venture internationalization and the resultant performance outcomes (Fernhaber & McDougall-Covin, 2009; George et al., 2005). Aside from uncovering aforementioned set of non-financial value-added, the importance of this support for venture’s ability to handle the internationalization related complexity was explored. Several ventures in this research (esp. F1, F2 and F3) were found to highly benefit from the support provided, in that it facilitated coping with the complexity and ultimately enabled these ventures to translate their fast-pace expansion into considerable performance benefits. For example, for F1, the external supporters considerably facilitated the international expansion, and specifically the systematic market selection and market entry process, by providing advice and expertise, infrastructure (e.g. local office space) and even temporary resources (e.g. marketing experts, project or country managers). In the same vein, these ventures considerably benefited from this support in their subsequent expansion, which suggests that this capability is also an important antecedent for the subsequent PES. These findings thus complement the little work on the impact of external supporters on the internationalization-performance-relationship (Kuivalainen et al., 2010) by providing deeper insights *how* these supporters (and venture's abilities to leverage them) influence the performance outcomes.

In total, this research addressed explicit calls for more comprehensive research on VC support and venture's ability to benefit from it (Fernhaber & McDougall-Covin, 2009; George et al., 2005). It extended extant research by showing that not only the sheer possession of external supporters but also venture's capabilities to actively leverage them are important, it complements research on these capabilities by uncovering and defining specific skills ventures need to form, and it provided deeper insights into the performance impact by revealing *how* ventures benefit from their external supporters in the international expansion.

Capabilities to leverage foreign distributors

Fourthly, this research contributed to a better understanding of the *capabilities to leverage foreign distributors* and the performance implications of this capability.

Extant research identified a broad range of benefits ventures can derive from relying on local distribution partners. These partners were found to increase venture's flexibility to capture international market opportunities despite a small resource pool (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Taylor & Jack, 2013) and facilitate overcoming the liability of newness and foreignness based on the provision of insidership and market knowledge (Chen, 2006; Evers et al., 2012; Johanson & Vahlne, 2009; Knight & Cavusgil, 2004; Lu & Beamish, 2001; Sasi & Arenius, 2008). Moreover, they are suggested to be a major source of learning and innovation (Knight & Cavusgil, 2004; Salomon & Shaver, 2005; Wu et al., 2007) and were found to take over downstream activities such as local marketing (Knight & Cavusgil, 2005; Skarmeas et al., 2008; Wu et al., 2007). Research moreover pointed out that ventures might not be able to capture these benefits automatically. Since the venture-exporter-relationship is complicated by the cultural and geographic distance (Skarmeas et al., 2008; Wu et al., 2007) as well as the principle-agent problem (Jensen & Meckling, 1976; Peng & York, 2001), the benefits derived are suggested to be dependent upon venture's capability to manage the cooperation (Evers et al., 2012; Khalid & Larimo, 2012; Knight & Cavusgil, 2004; Lages et al., 2009; Wu et al., 2007). However, INV research so far remained vague on the skills ventures need to build or possess in order to manage the cooperation with their distributors and to capture the potential benefits. For example, Knight and Cavusgil (2004) identified "*leveraging foreign distributor competencies*" (p. 132) to be a key capability for INVs in order to achieve superior international performance, but the authors did not specify *how* young ventures can leverage the competences of their distributors and which skills this requires.

This dissertation contributed to extant research in this context in that it uncovered the skills ventures need to build or possess in order to manage the cooperation with their distributors and to thus enhance the leverage and maximize the benefits. As the analysis revealed, certain ventures (esp. F3 and F4) were particularly strong in leveraging and cooperating with their respective local distributors (e.g. by being able to delegate activities such as local marketing and to capture input for product innovation). A closer look at these ventures uncovered that they were building a strong skill set related to both the *systematic selection* and the *intense involvement* and consequently maximized value-added of these partners. The intense involvement was reflected in a strong cooperation and active relationship management with the partners (e.g. in the form of a frequent and continuous interaction, partner visits and local meeting support, intense trainings and global distributor meetings). Based on these findings, *capabilities to leverage foreign distributors* were defined as *the abilities to attract and use direct support (distribution) and indirect support (e.g. marketing and local market knowledge driven innovation support) from local distribution partners* and both the *systematic selection* and the *intense involvement* were identified to be the key measures underlying this capability.

By uncovering and defining the specific skills ventures need to form in order to successfully leverage their foreign distributors, this dissertation extended the little extant research on capabilities in this context (e.g. by Knight & Cavusgil, 2004, who mentioned the existence of this capability but did not specify the underlying skills). By exploring the role and importance of the systematic selection of distribution partners in the context of venture internationalization, this dissertation moreover complements research on partner selection in the fields of strategic alliances (Hitt, Dacin, Levitas, Arregle, & Borza, 2000), international joint ventures (Geringer, 1991; Yadong Luo, 1995) and corporate new ventures (Varis, Kuivalainen, & Saarenketo, 2005) and addresses the numerous calls for more research on this subject (Geringer, 1991; Hitt et al., 2000; Varis et al., 2005). For example by Varis et al. (2005), who pointed out: “Although a prominent way to enter the international market is through co-operation, there is a limited amount of research regarding partner selection” (p. 19). The findings in this research moreover complement research on relationship management in related fields such as alliance management (Khalid & Larimo, 2012) and studies on mature exporters (Lages et al., 2009; Wu et al., 2007), which revealed that ventures need to develop certain capabilities related to building and managing a relationship with their partners (e.g. by means of communication and information sharing, building trust, establishing adequate governance structures, etc.) in order to capture the potential benefits of this partnership.

Finally, while extant research provided rich insights into the benefits of possessing distribution partners and the resultant impact on superior international performance (Evers et al., 2012; Knight & Cavusgil, 2004), this dissertation uncovered the particular importance of leveraging these partners for overcoming the PES induced complexity and thus for enhancing the performance outcomes – and for fostering the subsequent international expansion.

In total, this dissertation contributed to a more complete understanding of the capabilities to leverage foreign distributors. It extended extant research by uncovering the so far not specified skills ventures need to form in order to leverage their foreign distributors and by revealing *how* ventures benefit from their distributors in their internationalization (esp. in light of a fast-pace expansion).

6.2.3.3 Interrelation of capabilities

Finally, an additional contribution to the better understanding of the formation, role and performance impact of capabilities was made by uncovering dynamic interrelations of capabilities.

Several scholars already emphasized that capabilities are not independent from each other but coexist as an interrelated bundle (Barney, 1991; Prange & Verdier, 2011). Nevertheless, research so far “only provided isolated insights into the linkage between specific types of capabilities and resulting performance implications” (Prange & Verdier, 2011, p. 127) and mostly focused the analyses on a single capability. While three scholars identified a set of capabilities enabling early and successful international venturing (Khalid & Larimo, 2012;

Knight & Kim, 2009; Weerawardena et al., 2007), they placed little focus on how these capabilities are interrelated.

This dissertation extended abovementioned research by providing insights into *how* the specific internationalization related capabilities identified are interrelated. For example, it revealed how the capabilities to leverage external supporters influenced the internationalization process capabilities (e.g. since supporters were actively involved in the market screening and could facilitate the market entry into specific countries), the organizational adaptation capabilities (e.g. since supporters recommended a specific type of structure or provided (temporary) key employees), and the capabilities to leverage foreign distributors (e.g. since supporters connected the venture to specific distributors or actively recommended this entry mode). Interestingly, the analysis not only revealed the highly beneficial impact of a strong capability on other capabilities, it also uncovered how a weak capability negatively interrelates with other capabilities. For example, weak organizational adaptation capabilities (e.g. the lack of structure, unclear processes and responsibilities) were found to have an impeding impact on the internationalization process capabilities (e.g. for S2, the lack of coordination complicated the market entry process). In addition, this dissertation provided important insights into the dynamic processes behind capability formation by showing how the formation of certain capabilities influences the formation of other capabilities (e.g. F2's increasingly strong capabilities to leverage external supporters fostered the formation of the internationalization process capabilities since the external supporters provided relevant knowledge, coaching, etc.). More specifically, the research uncovered that (and how) certain capabilities could serve as an antecedent for the formation of other capabilities.

To conclude, this dissertation uncovered that the specific capabilities were highly interrelated and were reinforcing each other (both positively and negatively). It thus extends current research on capabilities and their role in the context of venture internationalization which so far mostly focused on the standalone analysis of a single capability (Prange & Verdier, 2011). It also extends the little research which so far analyzed sets of capabilities (Khalid & Larimo, 2012; Knight & Kim, 2009; Weerawardena et al., 2007) by exploring *how* these capabilities interrelated – and which consequences this interrelation has. Finally, it extends research on capability formation by uncovering dynamic processes behind the formation process, and more specifically by revealing that (and how) certain capabilities can be antecedent for the formation of other capabilities. In total, the findings suggest that future research should put more focus on these interrelations when exploring the role of capabilities.

6.3 Practical implications

In addition to the theoretical implications outlined above, this dissertation also provides practical implications of relevance for entrepreneurial ventures and their founders / managers (here referred to as 'managers') as well as for external supporters such as VCs or incubators (here referred to as 'investors'). Specifically, three particularly relevant *implications for managers* could be derived.

Firstly, as this dissertation revealed, the PES at which ventures internationalize is an important strategic decision with a major impact on performance outcomes. Especially the cases of F1, F2 and F3 showed that a fast-pace international expansion can be a strong source for venture growth and highly beneficial for the overall performance outcomes. However, the internationalization was also found to be a major source of complexity and thus a potential threat to venture's performance (as evident for F5) or even survival. Ventures aspiring strong growth should thus be aware of the potential fast-pace internationalization can offer – but they should not neglect the complexity and risks this strategy involves.

Secondly, this dissertation uncovered four key capabilities that successfully internationalizing ventures formed and relied upon in order to cope with the emergent complexity and to grasp the potential benefits the fast-pace internationalization offers.

Several ventures (esp. F1 and F2) were found to approach the market selection and the entry process very systematically (termed here internationalization process capabilities). For example, F2 developed and continuously improved a market screening and evaluation tool, which allowed them to forecast the market potential and thus to prioritize entries – and minimize the risk of failed entries. Several teams moreover developed and refined a 'blueprint' (i.e. a checklist) for entering foreign countries, and could thus leverage learnings from prior entries and increase the speed and efficiency of new entries. Managers are advised to place focus on building this skill set and to consider the underlying measures identified here in order to optimize their market selection and entry process – and to counteract the internationalization induced complexity.

Moreover, several ventures (esp. F1, F2 and F3) were found to optimize their organizational structure and processes in order to ease their international expansion (termed here organizational adaptation capabilities). Levers such as assigning clear responsibilities for each market (e.g. by defining country managers) and for the overall internationalization (e.g. by defining – or hiring – an internationalization manager and / or forming a business development department), as well as hiring locals, but also 'softer' levers such as implementing a strong organizational culture and vision directed towards a global presence, were found to mitigate organizational / structural challenges and process inefficiencies and thus foster the international expansion. Being aware of the organization related complexity that a fast-pace international expansion will trigger – and of the levers counteracting it – seems to be of high importance for managers aspiring fast international growth. Consequently, they are advised to build strong organizational adaptation capabilities and to place focus on optimizing the organizational structure and processes.

In addition, this research uncovered that several ventures (esp. F1, F2 and F3) intensely leveraged their external supporters such as VCs or incubators for their fast international expansion. By placing a high focus on a close interaction with and high involvement of their supporters, these ventures were able to derive major benefits from the partnership. In addition to the financial support, these ventures were able to capture a wide range of non-financial support such as getting eased access to markets and cooperation partners and receiving strategic support in key internationalization related decisions and processes (e.g. the market selection, entry mode choice and market entry process). Managers of resource-constraint young ventures, aspiring a fast and as a result also complex international venturing, are advised to be aware of the strong value-added that 'the right' external supporters can offer. Moreover, they should be aware that capturing this value-added requires the formation of a strong skill set and the implementation of levers such as assuring a strong interaction and a high involvement. Only then will they be able to fully tap this potential value-added.

Finally, several ventures (esp. F3 and F4) were found to derive major benefits from the leverage of their local distribution partners. These ventures placed a strong focus on selecting capable partners, on actively interacting with them (e.g. based on regular visits or 'global distributor meetings') and on actively involving them (e.g. in local marketing and customer service activities and even product innovation). As a result, these distributors became highly valuable for ventures' fast pace international expansion. Managers aiming for a rapid internationalization should be aware of the potential value-added this entry mode offers. They should also be aware that this value-added is not captured automatically but requires ventures to build skills related to selecting the right partners and to optimizing the cooperation.

In total, this dissertation uncovered specific capabilities that are of key importance for implementing a fast-pace internationalization strategy and for handling the associated complexity. It moreover revealed the skills as well as concrete levers underlying these capabilities – and the potential benefits ventures can draw from forming and implementing them. Managers aspiring a fast-pace international expansion are thus suggested to place a strong focus on forming these capabilities. As the data revealed, they considerably facilitate coping with the emergent complexity and thus enable ventures to grasp the potential benefits the international expansion offers.

Thirdly and related, this research uncovered two key factors managers aspiring to build a strong level of specific capabilities should be aware of and could place a focus on.

As the data suggested, the capability formation is highly influenced by the complexity aversion that managers demonstrate. While perceiving complexity as a demotivating hurdle was found to hinder the capability formation and often even triggered a slowdown in the internationalization pace, a positive interpretation of complexity as a motivating force for proactive changes seemed to drive the capability formation. Managers should be aware of the major impact this cognitive attribute has. Complexity-averse managers might consider implementing a slower internationalization strategy – or proactively counteract the impeding impact by placing a particular focus on building these capabilities. They could also try to 'balance' their averseness by including more complexity-prone managers in internationalization related decision-making processes. Complexity-prone managers on the other hand could consider this cognitive attribute to be an asset and a facilitator for a fast(er) internationalization.

Moreover, the data uncovered prior startup internationalization experience to be a particularly valuable source of relevant knowledge, of a high initial level of specific capabilities and thus a strong ability to cope with complexity, and ultimately of a higher initial ability to internationalize rapidly and successfully. Based on these findings, entrepreneurial teams that do not possess this specific type of experience but aspire to expand internationally should consider hiring people experienced in this field and should involve them in building and implementing the internationalization strategy. The case of F1 is a strong example that hiring an 'International Development Manager' possessing this specific experience could be a true asset in the subsequent internationalization path.

In addition, this research also offers practical *implications for external supporters* such as investors, typically interested in assuring a strong growth and performance of their ventures. Firstly, this research highlighted the promising potential that the internationalization in general and the fast-pace expansion in particular offers – as well as the complexity and thus risk it involves. Investors pushing ‘their ventures’ for this type of growth strategy should be aware of both facets.

Secondly, investors might consider the specific capabilities and attributes uncovered to be of key importance for fast-pace internationalization in both the phase of screening potential targets and the later phase of fostering their growth. In the screening phase, attributes such as the prior experience and complexity aversion the venture managers possess or reveal could serve as important indicators whether the venture is prepared for (fast-pace) internationalization. In the growth phase, investors should consider these attributes and capabilities when deciding on the most promising growth strategy for their ventures. While ventures with no prior experience, with a rather complexity-averse attitude and a low level of specific capabilities might be better suited for alternative growth strategies (e.g. portfolio expansions or intensified penetration of the home market), ventures possessing these capabilities and facilitating attributes might be predestined for a fast(er) international expansion.

Thirdly, this research contributed to a better understanding *how* investors can enhance their contribution to the fast and successful international expansion of their ventures. Particularly, several examples for non-financial value-added – and for its beneficial impact on venture’s ability to handle the internationalization induced complexity and for achieving a fast and successful international expansion – could be identified. For example, investors were found to involve themselves in the internationalization strategy by providing guidance on the market selection and market entry process, connected their ventures to customers and distributors or additional investors, provided temporary resources (e.g. infrastructure, but also human resources) and partially even involved themselves in the daily operations (e.g. by actively selling the product). Investors should be aware of this set of levers through which they can create value for ‘their’ ventures, and the performance-enhancing implications that this support could have – particularly if these ventures adopt a complex, resource-consuming (but also potentially rewarding) fast-pace internationalization strategy.

7 Limitations and avenues for future research

The final chapter of this dissertation concludes with a detailed examination of the limitations inherent in this study (chapter 7.1). Moreover, the most promising avenues for future research will be derived (chapter 7.2).

7.1 Limitations

Despite working with high diligence and methodological rigor, this study is not without limitations. In the following, these limitations will be discussed.

Firstly, as for any qualitative research, the generalizability, that is the replicability beyond the specific study, is limited by a relatively small sample size (Gibbert et al., 2008; Yin, 2003). This research is based on the detailed analysis of nine cases. The number of cases is in line with sample sizes methodologist recommend (e.g. four to ten cases according to Eisenhardt (1989)) in order to generate a robust theory and achieve analytical generalizability to a broader theoretical context (Yin, 2003). The robustness and analytical generalizability was further enhanced by applying a theoretical and diverse sampling and by contrasting findings across all cases (Eisenhardt, 1989). Nevertheless, for corroborating these results and for assuring statistical generalizability and thus the ability to make inferences to the population, a large-scale quantitative research would be required (Yin, 2003).

Secondly, and related, as for any qualitative study, the risk of a certain bias related to the sample selected cannot be neglected. In order to generate deeper and richer insights into the subject analyzed, this research applied a theoretical sampling strategy and purposely selected those cases with the highest relevance and richest contribution to the study (Yin, 2011). Although this sampling strategy is considered “the royal way for qualitative studies” (Flick, 2009, p. 131) and is highly recommended by methodologists (Eisenhardt, 1989; Flick, 2009; Yin, 2011), the selection criteria applied undeniably induce a certain bias. In this research, the sample selected for example covered a broad range of industries and was also relatively diverse with respect to venture size, but it only included startups from a single country (Germany). Although this focus was deliberately set in order to increase the comparability across the sample (Shrader et al., 2000), differing home country particularities such as domestic market size, regulations and subsidies might have an impact on the observations made (Autio et al., 2011; Shrader et al., 2000; Zhou et al., 2012). While a high transferability across countries can be expected, exploring the influence of a differing domestic context could be fruitful.

Thirdly, this dissertation cannot make a final statement about the causality of the variables and outcomes identified, also referred to as internal validity (Gibbert et al., 2008). As Haynie and Shepherd (2011) pointed out, this is a common deficiency of case study research: “[A] multiple case study approach is limited in its ability to test the causality of the relationships found in the data” (p. 522). Nevertheless, a major effort has been made to increase the accuracy and thus internal validity of this research. As recommended by Gibbert et al. (2008), “pattern matching” (p. 1466), defined as the comparison of interrelations revealed in the data with findings from other cases and with studies in different contexts, was applied. Findings and identified patterns were intensively compared across a large number of cases (here nine case studies) and were contrasted with extant research from different fields (cf. chapter 6.2). In addition, the patterns identified based on interview statements and on a systematic coding process were also triangulated with additional data sources (especially survey data, but also field notes and secondary data). Finally, a strong focus was placed on capturing the underlying reasons and dynamics behind the interrelations identified by deeply embedding these in the data, which according to Eisenhardt (1989) is essential for achieving internal validity. Nonetheless, a large-scale longitudinal research would be required to statistically confirm the causalities proposed in this model.

Fourthly, since this dissertation relies on retrospective self-reports by the respondents (here interviews and surveys), it is subject to a self-report bias, that is a potential divergence between individual perceptions and objective reality (Gupta & Beehr, 1982). This bias includes a response bias towards social desirability (Fisher, 1993; Ganster, Hennessey, & Luthans, 1983), which describes respondents’ tendency to comply with expected social norms and values based on a desire “to avoid embarrassment and project a favorable image to others” (Fisher, 1993, p. 303), as well as a recall bias based on the limited accuracy of memories (Bradburn, Rips, & Shevell, 1987). Although a self-report bias cannot be fully avoided in this type of research, it was considerably reduced based on the inclusion of and triangulation with multiple informants (here both founders and employees) as well as additional data sources (here both field notes and secondary data such as press articles) (Flick, 2009; Miller, Cardinal, & Glick, 1997; Yin, 2009). Nevertheless, it cannot be neglected that a certain bias might still be present.

Fifthly, while the proposed model encompasses a set of interrelated variables, it cannot be fully suspended that additional factors not considered in the analysis could also be of relevance for the subject studied. A large effort was made to uncover the most relevant variables and to counteract the risk of overlooking important influential factors. For example, this dissertation was built on a very rich and relatively diverse data set. A comparably high number of ventures from different industries and of different size was included in the analysis. In addition, the interview data was complemented by survey data, field notes and secondary data. This rich and diverse dataset formed a strong basis for uncovering the key variables. Moreover, an inductive and highly iterative data analysis was applied, which according to methodologists both increases the likelihood of building novel theory and decreases the risk of overlooking important constructs (Edmondson & McManus, 2007; Eisenhardt, 1989; Flick, 2009; Miles & Huberman, 1994).[44] The systematic inductive (data driven) coding approach facilitated capturing all relevant variables and interrelations in the dataset (Flick, 2009; Glaser & Strauss, 1999). To further minimize the risk of overlooking influential factors, the inductive coding was complemented by an early comparison with extant literature and variables identified in this context (Miles & Huberman, 1994). Finally, the iterative research approach applied, and more specifically the constant iteration between data collection and data analysis, according to Miles and Huberman (1994) is a "healthy corrective for built-in blind spots" (p. 50). But despite this effort, additional factors might be of relevance for the subject studied. Some potentially interesting factors will be discussed in the proposed avenues for future research in the next section.

7.2 Avenues for future research and conclusion

There are numerous promising avenues for further research that can be derived from this explorative study. Several research opportunities result from the qualitative case study approach adopted and the limitations associated with this approach. For example, the proposed interrelations should be verified based on a large-scale quantitative study. A quantitative study could address aforementioned limitations with respect to the statistical generalizability of the model identified and the causalities proposed. Since the internationalization process and the associated implications (such as the emergence of complexity and the formation of capabilities) are a highly dynamic phenomenon, a longitudinal study seems to be particularly appropriate for this purpose. By including ventures from various countries, subsequent studies could furthermore verify the sensitivity of results towards home country particularities and thus address the potential sample bias stemming from the focus on German ventures.

[44] See chapter 3.5 for an overview on the research process and chapter 3.8 for details on the data analysis.

Moreover, several promising avenues for future research can be derived from the subject studied and variables explored in this research. This dissertation focused on shedding light on the so far insufficiently understood internationalization-performance-relationship and the black box of contingent factors, and uncovered two mostly neglected factors in this context – PES and internationalization related capabilities – to be of key importance for this relationship. Both the contingent factors identified and the performance outcomes deserve more research attention.

Firstly, as this research showed, scholars so far placed little focus on PES (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Kuivalainen et al., 2012; Prashantham & Young, 2011) and several promising areas for future research related to both the antecedents and the performance implications could be identified.

As the literature review revealed, there is little research on the antecedents of PES (Casillas & Acedo, 2013; Prashantham & Young, 2011) – especially when compared to the rich literature on the antecedents of early internationalization. Future research could explore individual level, firm level and supra-organizational level factors that drive PES. Recent research calls underline this conclusion (Casillas & Acedo, 2013; Kiss et al., 2013; Prashantham & Young, 2011). For example, Prashantham and Young (2011) stated that "an unanswered question is: what explains differential internationalization speed among INVs, *after* their initial entry into international markets?" (p. 275) and Casillas and Acedo (2013) called for more work on "the different explanatory factors behind speed at the individual, organizational and supra-organizational level" (p. 26). A particularly interesting question seems to be which antecedents of PES are of special relevance for INVs. As this dissertation revealed, the combination of an early *and* fast-pace internationalization is a very challenging and complex strategy, and shedding more light on INV-specific antecedents of PES seems to be particularly important (Morgan-Thomas & Jones, 2009).

Moreover, the literature review revealed that there is very little research on the performance implications of PES (Casillas & Acedo, 2013; Vermeulen & Barkema, 2002; Wagner, 2004). The few authors exploring this relationship mostly proposed that due to TCD and the resultant inefficiencies, PES has a negative influence on sales growth (Verdier et al., 2010), profitability (Jiang et al., 2014; Vermeulen & Barkema, 2002) and, related, cost efficiencies (Wagner, 2004) as well as survival (Jiang et al., 2014). However, this research uncovered that a higher PES not necessarily translates into TCD but that this impact is influenced by certain internationalization related capabilities that facilitate the handling of complexity.

Consequently, PES was found to potentially have an opposing, that is a *positive* impact on venture performance. While this research uncovered this potentially positive impact for (international) sales growth, there seems to be a need to also reconsider the impact of PES on other performance measures such as profitability and survival. This conclusion is in line with recent calls for more research on the performance implications of PES (Casillas & Acedo, 2013; Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). For example, Casillas and Moreno-Menéndez (2014) called for a thorough investigation of "the influence of this speed [PES] on certain dimensions of performance (survival, growth, performance, market value etc.)" (p. 98) and Prashantham and Young (2011) suggested to explore the impact of PES on a broader set of performance indicators such as firm competitive advantage. Moreover, scholars reassessing the causalities between speed and performance should place a strong focus on the importance of contextual factors such as the specific capabilities identified here (and / or other influential factors).

Secondly, this research uncovered the importance of four specific capabilities for venture internationalization, for handling the associated complexity and for translating (fast-pace) internationalization into performance benefits. From this finding, research opportunities both with regard to these specific capabilities and to the potential importance of other capabilities in this context can be derived.

While this research uncovered the multidimensionality of the specific *internationalization related capabilities* identified and revealed several underlying skills that were neglected in extant conceptualizations, the extended conceptualizations provided still deserve more research attention. For example, the capabilities to leverage external supporters were found to go far beyond the sheer possession of investors (e.g. VC ownership) and were suggested to include the skills related to both attracting and using the financial and non-financial value-added from these supporters (e.g. based on actively involving them). However, this research for example could not explore the relevance of specific characteristics of these supporters (such as their international experience) and, related, the importance of venture's ability to select the 'right' supporters. Future research could further explore the multidimensionality of these key capabilities and their relevance for venture internationalization. In addition, while this research contributed to a more complete conceptualization, future research could refine extant measures and scales or develop new ones in order to reflect the additional facets and underlying skills identified here. For example, for assessing the capabilities to leverage foreign distributors, a comprehensive scale which incorporates both the systematic selection process as well as the skills related to involving distributors and deriving a high (direct and indirect) value-added seems necessary. Developing these comprehensive measures would also pave the way for a quantitative study in order to verify the generalizability of the findings presented.

With respect to the *importance of other capabilities* in this context, the literature review revealed that additional capabilities such as the innovation capability (Knight & Cavusgil, 2004; Knight & Kim, 2009; Kyläheiko et al., 2011), (international) market orientation (Blesa et al., 2008; Knight & Kim, 2009; Kropp et al., 2006; Racela et al., 2007) and (international) marketing capability (Cavusgil & Zou, 1994; Knight & Kim, 2009; Weerawardena, 2003; Weerawardena et al., 2007; Zhou et al., 2012) are also discussed to be of relevance for venture internationalization. While this research found no evidence for the importance of these (or other) additional capabilities, researchers could reassess whether other capabilities also have an influence on the internationalization-performance-relationship and the role of PES in this context.

Thirdly, this research developed a theoretical model and specific propositions illustrating and explaining how PES and internationalization related capabilities interrelate and how they impact the performance outcomes. While this model uncovered two factors influencing this relationship (prior startup internationalization experience and complexity aversion), scholars could explore whether additional factors are of relevance in this context. For example, scholars could focus on additional individual attributes such as founder's / manager's motivation to internationalize (e.g. proactive based on a strong, ambitious vision or reactive based on external pressure) (Bradley, 1984; Zahra, 2003) or cognitive factors that might enhance the ability to deal with complex tasks like metacognition (Haynie, Shepherd, Mosakowski, & Earley, 2010). Moreover, firm-specific factors such as the competitive strategy adopted (e.g. being an early mover or a follower) (Murray, Ju, & Gao, 2012) or the possession of additional capabilities (such as aforementioned market orientation, marketing capabilities or innovation capability) might provide further insights. In addition, external industry and market related factors such as industry competitive intensity (Oviatt & McDougall, 2005) or home country characteristics (Sapienza et al., 2003; Shrader et al., 2000; Zahra & Hayton, 2008) could be considered. Finally, the importance of characteristics of the internationalization process other than PES might be worth considering in this context. For example, the relevance of the rhythm of the internationalization process as well as the spread in geographical markets (i.e. the number of countries entered) and product markets (i.e.

the number of new product markets entered due to the internationalization) (Vermeulen & Barkema, 2002), or the resource commitment to foreign activities (i.e. the asset intensity, or increase in assets and workers abroad) (Casillas & Acedo, 2013) might be worth considering.

Fourthly and related, this research revealed that the internationalization-performance-relationship is still insufficiently understood (Hsu et al., 2013; Kuivalainen et al., 2007; Morgan-Thomas & Jones, 2009; Prange & Verdier, 2011; Prashantham & Young, 2011; Vermeulen & Barkema, 2002; Wagner, 2004), that scholars called for adopting a contingency perspective to shed more light on this interrelation (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004), and that these contingencies are so far considered to be a “black box” (Wagner, 2004, p. 458) that requires more research attention (Bloodgood et al., 1996; Carr et al., 2010; Vermeulen & Barkema, 2002; Wagner, 2004). By focusing on exploring these contingencies, scholars could contribute to shedding more light on this black box and could address the numerous calls for more research on this subject (e.g. Bloodgood et al., 1996; Carr et al., 2010; Prange & Verdier, 2011; Vermeulen & Barkema, 2002; Wagner, 2004). Aforementioned factors related to the founder / manager, the firm characteristics, the environment and the internationalization process might serve as a promising starting point.

Summing up, this dissertation made several important contributions with respect to INV internationalization and its performance implications. Based on case study research and an in-depth assessment of the internationalization patterns and performance outcomes of nine INVs it uncovered that the internationalization-performance-relationship is partially explained by venture post-entry speed and internationalization related capabilities. Specifically, PES influences the level of complexity ventures face. The complexity level together with entrepreneurial teams’ complexity aversion and prior startup internationalization experience in turn determine if and to what extent ventures develop internationalization related capabilities. Finally, these capabilities translate into implications for venture performance and future speed of international expansion. These findings advance the field of INV research by contributing to the debate of performance implications of accelerated young venture internationalization and by identifying central contingencies to the internationalization-performance relationship. Future research on the management, contingencies, and implications of fast venture internationalization is strongly encouraged.

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8 Appendix

8.1 Interview guideline

	Thema	#	Frage	Priorität[45]
1. Unternehmen & Gründer/ Mitabeiter allgemein	Intro	1	Um ein besseres Verständnis für die Besonderheiten Ihres Unternehmens sowie Ihres Aufgabengebietes zu bekommen, möchte ich Ihnen zunächst einige allgemeine Fragen zum Unternehmen sowie Ihrer Rolle in diesem stellen.	2
	Geschäftsidee	2	Lassen Sie mich zuerst sicherstellen, dass wir ein einheitliches Verständnis der Geschäftsidee haben. Darf ich Sie bitten, die wesentlichen Eckpunkte kurz zu erläutern?	2
	Wettbewerbs-situation	3	Wer sind Ihre Wettbewerber im Markt?	2
	Differenzierung	4	Was macht Ihr Unternehmen sowie Ihr Produkt / Ihre Dienstleistung besonders; was differenziert Sie im Markt?	2
	Persönliche Infos	5	Seit wann sind sie beim Unternehmen? Warum haben Sie sich für dieses Unternehmen/ die Gründung entschieden?	2
	Überleitung		Vielen Dank, das war auch schon der erste Teil des Interviews. Die Informationen haben mir sehr geholfen Ihr Unternehmen besser zu verstehen. Lassen Sie uns nun im 2. Teil konkret auf die Treiber für die Internationalisierung sowie den Internationalisierungspfad Ihres Unternehmens eingehen.	
2. Internationalisierungspfad & -treiber	Motivation und Treiber	6	Nehmen Sie mich mit in die Zeit vor dem ersten internationalen Markteintritt Ihres Unternehmens Warum hat ihr Unternehmen internationalisiert?	1
	Hürden	7	Gab es Faktoren oder Gründe, die gegen die Internationalisierung gesprochen haben?	2
	Internationali-sierungspfad	8	Nehmen Sie mich mit auf den Internationalisierungspfad Ihres Unternehmens: Was waren die Stationen der Internationalisierung?	2
	Markteintritts-form	9	Welche Markteintrittsform haben Sie für den ersten Markt gewählt?	2
	Überleitung		Klasse, das war der zweite Teil. Wollen wir gleich weitermachen oder hätten Sie gerne eine kurze Pause? Ok, dann kommen wir nun zum dritten Teil in dem ich mit Ihnen über die Vorbereitung auf die Internationalisierung, sowie über das, was Sie aus der Internationalisierung gelernt haben, sprechen möchte.	
3. Vorbereitung & Learnings	Vorbereitung Allgemein	10	Ausgehend von dem Zeitpunkt der Entscheidung für die Internationalisierung und den ersten Markteintritt: Wie wurde das Unternehmen auf diesen Schritt, also auf die Internationalisierung, vorbereitet?	2
	Internationali-sierungsprozess	11	Lassen Sie uns auf einige Aspekte der Vorbereitung genauer eingehen. Gab es bei Ihnen im Unternehmen bereits einen festgelegten Prozess für den ersten internationalen Markteintritt?	2
	Organisations-struktur	12	Wurde die Organisationsstruktur vor dem ersten internationalen Markteintritt verändert?	1
		13	Gab es Änderungen in der Organisationsstruktur bei den weiteren Markteintritten?	2
	Mitarbeiter	14	Wurden Ihre Mitarbeiter auf die Internationalisierung vorbereitet?	1
		15	Gab es Änderungen in der Mitarbeitervorbereitung bei den weiteren Markteintritten?	2
	Produkte	16	Haben Sie Ihre Produkte, beziehungsweise Ihr Produktportfolio / Dienstleistungsportfolio für die erste Internationalisierung angepasst?	1

[45] Priorität 1 (hoch) bis 3 (niedrig)

		17	Gab es produktbezogene Änderungen bei den weiteren Markteintritten?	2
	Marketing / Vertrieb	18	Haben Sie für den ersten Markteintritt Anpassungen im Marketing- / Vertriebskonzept vorgenommen?	1
		19	Gab es bei den weiteren Markteintritten Änderungen im Marketing / Vertriebskonzept?	2
	Finanzen	20	Hat sich das Unternehmen finanziell auf die Internationalisierung vorbereitet?	1
		21	Gab es Änderungen in der Finanzierung Ihres Unternehmens bei den weiteren Markteintritten?	2
	Sonstige	22	Gab es sonstige Anpassungen im Unternehmen in der Vorbereitung auf die erste Internationalisierung?	2
		23	Gab es sonstige Änderungen in Ihrem Unternehmen bei den weiteren Markteintritten?	2
	Persönliche Vorbereitung	24	Wie haben Sie sich persönlich auf die erste Internationalisierung vorbereitet?	2
		25	Gab es für die weiteren Markteintritte eine zusätzliche persönliche Vorbereitung?	2
	Learnings	26	Sie haben einige Anpassungen im Zuge der Vorbereitung bereits erwähnt. Gibt es weitere Punkte, die aus Ihrer Sicht in Zukunft anders gemacht werden sollten?	1
	Learning-Transfer	27	Wie stellen Sie sicher, dass Sie Erfahrungen aus Märkten auch in neue/ andere Märkte und ggf. sogar den Heimatmarkt transferieren?	3
	Überleitung		Damit sind wir bereits auf der Hälfte des Interviews angelangt. [Nur wenn nach zweiten Abschnitt noch keine Pause gemacht wurde:] Wollen wir uns nun eine kurze Auszeit nehmen? So, im vierten Teil des Interviews möchte ich Ihnen gerne einige Fragen zu den Hürden auf die Sie bei der Internationalisierung gestoßen sind und zu den fördernden Faktoren stellen.	
4. Hürdern & fördernde Faktoren	Prägendster Markteintritt	28	Wenn Sie auf die bisherige Internationalisierung des Unternehmens zurückblicken: Welcher Markteintritt hat das Unternehmen aus Ihrer Sicht am stärksten geprägt und warum?	1
	Herausfordernd-ster Markteintritt	29	War dies auch der "herausforderndste" Markteintritt? (wenn nein: welcher Markteintritt?)	2
	Fördernde Faktoren	30	Rückblickend: Welche Faktoren haben die Internationalisierung ihres Unternehmens besonders begünstigt oder erleichtert?	2
	Externe Unterstützer	31	Gab es externe Unterstützer? (z.B. Unterstützung durch VCs, einen Inkubator, Netzwerkpartner o.ä.)	2
	Hürden und Herausforder-ungen	32	Losgelöst von den Hürden für den Schritt in die Internationalisierung: Was waren die größten Hürden und Herausforderungen im Laufe der Internationalisierung?	2
	Scheitern	33	Für die Märkte in denen Sie gescheitert sind [Märkte nennen]: Was waren die Gründe des Scheiterns?	1
	Überleitung		Vielen Dank, somit haben wir Teil 4 von 6 abgeschlossen und ich konnte gute Einblicke in die Internationalisierung Ihres Unternehmens gewinnen. Lassen Sie uns nun im 5. und vorletzten Themenblock die Internationalisierung gesamthaft betrachten und über deren konkrete Effekte auf Ihr Unternehmen sprechen.	
5. Effekte	Übergreifende Effekte (offen): Persönlich	34	Welche Auswirkungen hatte die Internationalisierung auf Ihre Tätigkeit im Unternehmen?	1
	Übergreifende Effekte (offen): Unternehmen	35	Welche Auswirkungen hatte die Internationalisierung gesamthaft betrachtet auf Ihr Unternehmen?	1
	Wettbewerbs-vorteile - allgemein	36	Welche Auswirkungen hatte die Internationalisierung auf die Wettbewerbsfähigkeit Ihres Unternehmens?	1
	Image	37	Lassen Sie uns die Effekte auf die Wettbewerbsfähigkeit in einigen konkreten Bereichen betrachten: Hatte die Internationalisierung Auswirkungen auf die Außenwahrnehmung (das Image) Ihres Unternehmens?	1

	Unternehmens-kultur	38	Welche Auswirkungen hatte die Internationalisierung auf die Unternehmenskultur?	2
	Produkt- / Dienstleistungs-portfolio	39	Welche Auswirkung hatte die Internationalisierung auf ihr Produkt-/ Dienstleistungsportfolio?	1
	Produkt-entwicklungs-prozess	40	Welche Auswirkungen ergaben sich auf die Produktentwicklungsprozesse?	1
	Sonstige Prozesse	41	Welche Auswirkung hatte die Internationalisierung auf sonstige Unternehmensprozesse und die Prozesseffizienz?	2
	Ressourcen	42	Konnte das Unternehmen durch die Internationalisierung neue, lokale Quellen für wichtige Ressourcen wie Mitarbeiter, Produktionsmaterial, Wissen oder ähnliches erschließen?	2
	Sonstige	43	Hatte die Internationalisierung Auswirkungen auf die Wettbewerbsfähigkeit in sonstigen Bereichen?	3
	Finanzielle Effekte: Umsatz	44	Welche Auswirkungen ergaben sich auf die Umsatzentwicklung des Unternehmens?	1
	Finanzielle Effekte: Kosten	45	Welche Auswirkungen ergaben sich auf die Kostenstruktur des Unternehmens und der Produkte?	1
	Finanzielle Effekte: Profit	46	Welche Auswirkungen ergaben sich auf die Profitabilität des Unternehmens?	1
	Stabilität	47	Hatte die Internationalisierung je die Existenz Ihres Unternehmens bedroht?	1
	Überleitung		Besten Dank, damit kommen wir nun zum letzten Block in dem ich Ihnen noch ein paar Fragen zur zusammenfassenden Bewertung sowie dem Ausblick für Ihr Unternehmen stellen möchte.	
6. Summary & Ausblick	Übergreifende Erfolgs-beurteilung	48	Als wie erfolgreich würden Sie die Internationalisierung Ihres Unternehmens insgesamt beschreiben?	1
	Ausblick	49	Wenn Sie in die Zukunft blicken: Was sind die wichtigsten Ziele für Ihr Unternehmen in der nächsten Zeit? Was sind persönliche Ziele?	3

Table 23: Interview guideline
Source: Own illustration

8.2 Field notes template

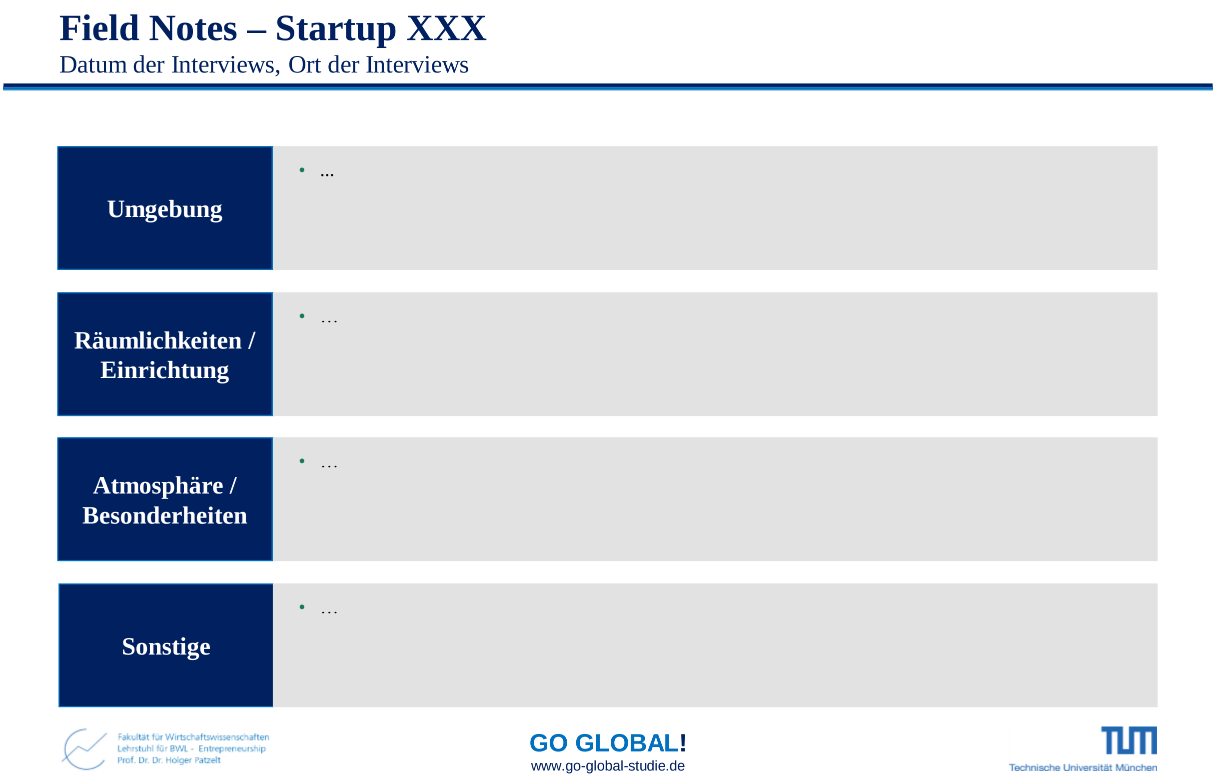

Figure 20: Field notes template
Source: Own illustration

8.3 Company profile template

Unternehmensprofil: Name

1. Basisdaten			
Datenpunkt	Daten	Quelle	Anmerkungen
Vollständige Unternehmensbezeichnung (wie Handelsregister)			
Rechtsform			
Firmensitz			
Gründer (Name, Position, Anteilsverteilung)			
Gründungsjahr			
Organigramm (Kernpositionen und Organisationstruktur)			
Vision			
Mision			
Geschäftsmodell			
Abdeckung Wertschöpfungskette			
Produkte (Beschreibung der Produkte/ Dienstleistungen)			
Partnerschaften / Kooperationen			
Auszeichnungen			
Investoren (inkl. Zeitraum, Investment, Anteile, Aufgaben)			

2. Kennzahlen					
Datenpunkt	2010	2011	2012 (erwartet)	Quelle	Anmerkungen
Umsatz (in Mio. €)					
EBIT (in Mio. €)					
EBITDA (in Mio. €)					
Mitarbeiter					
R&D Ausgaben					
Markting Ausgaben					
Vertriebskosten					

3. Branche & Markt			
Datenpunkt	Daten	Quelle	Anmerkungen
Branche			
Zielmarkt / -Segment			
Marktgröße (in Mio. €)			
Marktwachstum in % zum Vorjahr			
Trends			
Wichtige Wettbewerber			
Zielkunden			
Markt-Besonderheiten			
Zielkunden			

4. Internationalisierung			
Datenpunkt	Daten	Quelle	Anmerkungen
Markt 1:			
Land			
Eintrittsdatum			
Eintrittsform			
Anteil am Gesamtumsatz			
Besonderheiten			
Markt 2:			
Land			
Eintrittsdatum			
Eintrittsform			
Anteil am Gesamtumsatz			
Besonderheiten			
Markt 3:			
Land			
Eintrittsdatum			
Eintrittsform			
Anteil am Gesamtumsatz			
Besonderheiten			
Nach Bedarf weitere Zeilen einfügen!			

5. Pressesuche (chronologisch ab Gründung)					
Titel	Datum	Quelle	Relevanz	Kurzzusammenfassung	Gesamter Beitrag

Table 24: Company profile template
Source: Own illustration

8.4 Transcription rules

Transkriptionsregeln: Format (I/II)

1 **Datei-namen**	• Einheitliche Dateinamen für Audio- und Textdateien:
	  • Interview_Unternehmen_Nachname Interviewee_Bezeichnung Personentyp (MGM, MA) _Datum_Kürzel; z.B. Interview_Musterunternehmen 1_Hauser_MA_08Aug12_BS.wma
	  • Analoge Dateinamen im Word-Dokument: z.B. Transkript _Musterunternehmen 1_Hauser_08Aug12_BS.doc
	• Überschrift in der Word-Kopfzeile, aus der der Dateiname ersichtlich ist

2 **Zeilen-nummer**	• Im Dokument fortlaufend durchführen (siehe http://www.karin-schmitt.de/zeilennummer.html)
3 **Seiten-nummer**	• In der Fußzeile einfügen
4 **Inter-viewer**	• Mit “Interviewer:" kennzeichnen; dann nach Doppelpunkt direkt mit Beitrag starten (Interviewer: ….) • Als gesamter Block, also keine Zeilenumbrüche (selbst wenn Interviewer „ehmm/ ok/ …“ sagt) • Fragen kursiv • Ende des Beitrags: Zeilenumbruch und Leerzeile
5 **Sprecher**	• Mit "Person 1“ kennzeichnen; dann nach Doppelpunkt direkt mit Beitrag starten (Person 1: ….) • Als gesamter Block, also keine Zeilenumbrüche (selbst wenn Interviewer „ehmm/ ok/ …“ sagt) • Ende des Sprecherbeitrags: Zeilenumbruch und Leerzeile
6 **Namen**	• Firmennamen, Personennamen etc. durch farbige Hervorhebung markieren
7 **Zeit-marken**	• In 10 Minuten-Intervallen in Klammern hinter die Frage bzw. Antwort verankern, in der die Zeit erreicht wurde z.B. (20min). Zusätzlich Zeitmarken einfügen bei wichtigen Stellen wie z.B. Unverständlichkeiten

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Transkriptionsregeln: Format (II/II)

8 **Allg. Forma-tierung**	• Siehe "Lehrstuhlvorgaben für Abschlussarbeiten" • Wichtigste Elemente: Times New Roman 12pt; 1,5-facher Zeilenabstand; Seitenränder alle 2,5 cm; Seitenzahlen verwenden
9 **Quality Check**	• Sinnhaftigkeit der Sätze • Korrekte Rechtschreibung (Rechtschreibprogramm) – nur Wörter, die prinzipiell im Lexikon stehen könnten (plus gängige Anglizismen, z.B. Player)
10 **Versand**	• Dateien bei Fertigstellung bitte an tobias.vanderlinden@tum.de und benjamin.schneck@tum.de senden (vorher noch einmal durchlesen!!!) • Verbesserung der ersten Datei eines bestehenden Interviews bitte im "Änderungen Nachverfolgen" Modus (auf farbliche Abhebung von Änderungen im Zuge erster Glättung achten!) und direkt nach Fertigstellung für Feedback zusenden

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Transkriptionsregeln: Inhalt und Glättung

1	**Grund-satz**	• Interviews sollten grundlegend geglättet werden, so dass Verständlichkeit sichergestellt wird, ohne dass Aussage und Sinn verfälscht werden
2	**Vorgehen**	• Weitgehend unveränderte Transkription des Interviews z.B. mit F4-Software oder VLC Player unter Berücksichtigung von Grammatikregeln und Vermeidung von Umgangssprache • Anschließende Glättung dieser Version in MS Word (als neue Datei) im „Änderungen Nachverfolgen“ Modus (sowie ggf. inklusive Kommentaren) für Nachvollziehbarkeit und eventuelle Rückfragen
3	**Ver-ständ-lichkeit**	• Vollständige Sätze soweit möglich. Wörter können so für Verständnis zwingend notwendig umgestellt werden, „inhaltslose“ Teile für besseres Verständnis herausgenommen bzw. für das Verständnis wichtige Wörter hinzugefügt werden -> Wichtig: Sinn darf sich nicht ändern; mit Anpassungen vorsichtig umgehen!
4	**Doppel-ungen und Füll-wörter**	• Doppelungen können herausgenommen werden – soweit es die Wirkung nicht beeinflusst (z.B. wenn Doppelung bei der Darstellung der Vision Zögern oder Unsicherheit zeigt, kann die Doppelung durchaus wichtig sein) • Direkt hintereinander wiederholte Wörter (z.B. …, dass dass dass…) und Füllwörter (im Prinzip, so genau, quasi) können weggelassen werden, es sei denn, sie sind wesentlich für die Interpretation des Sinns • Bestätigende Äußerungen des Interviewers (ah, ok, verstehe…) sowie “ähs” und “ehmms” weglassen; außerdem Stammeln weglassen; Fragen des Interviewers ebenfalls glätten
5	**Dialekt**	• Keine Lautschrift, selbst wenn ein Sprecher Dialekt spricht („ne Restaurant“, „des Ganze“) – Text sollte nur aus tatsächlichen Wörtern, die im Lexikon stehen, bestehen. Englische Passagen nicht übersetzen.
6	**Satz-zeichen**	• Selbst wenn sie nicht zu hören sind, Satzzeichen entsprechend der deutschen Rechtschreibung verwenden • Keine Leerzeichen innerhalb von Klammern [(Wort) und nicht (Wort)] und keine Leerzeichen vor Satzzeichen

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Transkriptionsregeln: Sonstiges

1	**Pausen**	• Wichtige Pausen mit drei Punkten kennzeichnen (bei sehr langen Pausen ggf. mehrere Punkte)
2	**Unver-ständ-liches**	• Unverständliches als rot hervorgehobene drei Fragezeichen = ??? • Sowie Vermuteter Wortlaut bei schlechtverständlichen Stellen in Klammer schreiben = (etwa so) • Mit zusätzlicher Zeitmarke versehen
3	**Beto-nung**	• Auffällige Betonung unterstreichen = etwa so • sehr gedehnte Sprechweise mit Leerzeichen zwischen den Buchstaben = e t w a s o
4	**Nicht-verbale Äußerung**	• Starke nichtverbale Äußerungen wie Lachen oder Husten in runder Klammer angeben = ((lacht)) ((verärgert))
5	**Ge-räusche**	• Situationsspezifische Geräusche soweit wichtig in spitzer Klammer angeben = >Telefon läutet<

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Figure 21: Transcription rules
Source: Own illustration