Growth in international new ventures: facilitating and redundant components beyond start-up

Urban Ljungquist*
Department of Industrial Economics,
Blekinge Institute of Technology,
S-37179 Karlskrona, Sweden
Email: urban.ljungquist@bth.se
*Corresponding author

Navid Ghannad
School of Business and Engineering,
Halmstad University,
P.O. Box 823, S-30118 Halmstad, Sweden
Email: navid.ghannad@hh.se

Abstract: The purpose of the paper is to identify facilitating and redundant components of core competence development during the growth of international new ventures (INVs). Through a longitudinal empirical study comparing three cases based on a large number of interviews, we describe how individual competences essential for the start-up firm (entrepreneurial, market and network) over three phases (small, youth and mature) eventually become redundant or transform into institutionalised routines. An INV built on technology competence needs to combine with market competences, preferably in parallel, for ideal market development. To expand further, the entrepreneurial competence ultimately should be reduced or omitted. To boost expansion, explicate visions and policies should be added to maintain the entrepreneurial spirit and legacy, and to guide employees.

Keywords: international entrepreneurship; international new venture; INV; core competence; growth; longitudinal study.


Biographical notes: Urban Ljungquist is an Assistant Professor in Strategy and Innovation in the Department of Industrial Economics at Blekinge Institute of Technology. He conducts research primarily in the area of processes of strategy and innovation. He has published his research in journals such as European Business Review, Knowledge and Process Management and Management Decision.
Navid Ghannad is an Assistant Professor in Marketing and Entrepreneurship in School of Business and Engineering at Halmstad University. He conducts research primarily in the area of international entrepreneurship. He has published his research in *Frontiers of Entrepreneurship Research* as well as journals such as *International Journal of Entrepreneurship and Small Business* and *International Journal of Entrepreneurial Venturing*.

1 Introduction

Small companies, and international new ventures (INVs) (Oviatt and McDougall, 1997) and start-ups in particular, seldom have obvious competitive advantages, such as patents, or cost advantages from scale or scope. INVs are right from start-up forced to compete in the global market, despite their limited resources. Even more, international endeavours may actually decrease the short-term survival chances for a start-up (Sapienza et al., 2006; Cesinger et al., 2012).

In many instances the beginning may consist of the entrepreneur and one or a few employees, and the opportunity that they have identified and are exploiting (Oviatt and McDougall, 2005; Ghannad and Andersson, 2012; Mainela et al., 2013). To achieve competitiveness, or basically to enter a market, a start-up needs to rely on these competences (people) to start and deliver customer value (McGrath and MacMillan, 1995). Recent publications have confirmed that start-ups have core competences (Ghannad and Ljungquist, 2012) and that the underlying competences for successful growth need to be changed and transformed during start-up. Our paper draws on the same core competence notion, yet we focus on later phases of small firms, beyond the start-up phase. Furthermore, in this paper we draw on the notion of early internationalisation as a strategic choice, as suggested by scholars (Sapienza et al., 2006; Zahra et al., 2000).

An INV’s potential lies merely in its (intangible) competences, and not in its capital, machinery, and other tangible resources (cf., Lubatkin et al., 2006). This is different from a large firm, which often has these and other resources to combine with the competences. Despite existing research on INVs, there still is a call for “increasing our knowledge regarding rapid internationalisation of small firms in general” [Kuivalainen et al., (2010), p.150]. In this paper, despite not focusing on rapid growth *per se*, we address this call, and build on the previously mentioned research on INVs’ paradox of increased growth with risk of decreased survival (Sapienza et al., 2006). Specifically, we focus on the problem: Which are the growth obstacles for INVs?

Although large firms have attracted vast research attention (Bogner and Thomas, 1995; Chen and Wu, 2007; Gupta Woodside et al., 2009; Hafeez et al., 2007), following the definition of Prahalad and Hamel (1990), the competences of a start-up may be considered ‘core’ (Ghannad and Ljungquist, 2012).

The purpose of the paper is to identify facilitating and redundant components of core competence development during the growth of INVs. We position this paper within two streams of existing literature: international entrepreneurship (IE) (Oviatt and McDougall, 1994, 2005) and conceptions of core competence from a resource-based
Growth in international new ventures perspective (Barney, 1991; Wernerfelt, 1984). For validity reasons, we adopt a longitudinal empirical design predominantly based on a large number of personal interviews.

This paper is structured as follows: first, we position the theoretical discussion within the existing literature and previous research. We then describe the empirical study and methods, present the empirical cases, and discuss the findings. The paper ends with conclusions and implications.

2 Theory

2.1 International entrepreneurship

Within the emerging body of IE research it has been shown that firms can be global shortly after their inception (see McDougall et al., 2003; Knight and Cavusgil, 1996; Kuemmerle, 2002; Madsen and Servais, 1997; Madsen et al., 1999; Rennie, 1993). Firms have been found to rapidly build their way into international trade, which appears to contradict earlier studies on firms’ internationalisation (Johanson and Vahlne, 1977, 1990). Such firms have been studied under different concepts: born globals (e.g., Knight and Cavusgil, 1996; Madsen and Servais, 1997; Moen, 2002), global start-ups (Oviatt and McDougall, 1994); INVs (McDougall et al., 1994), micro-multinational enterprises (Dimitratos et al., 2003), high-technology start-ups (Burgel and Murray, 2000), global high-tech firms (Roberts and Senturia, 1996), instant internationals (Fillis, 2001), and instant exporters (McAuley, 1999). In this paper we adopt the INV notion, as it is a widely used term for explaining the phenomenon of companies internationalising from inception. An empirical study of INVs’ transformation concludes that network competence might be a catalyst that spurs technology transformation, by securing help from the network (Ghannad and Ljungquist, 2012). In general, the network effect diminishes during small-firm growth, since personal influence, in a general sense, weakens as the firm grows (Coviello and Munro, 1997; Chetty, 2000). In addition, the aforementioned empirical study (Ghannad and Ljungquist, 2012) also emphasises the benefits of need for initial external funding for the firm as a facilitator of growth – which ultimately is a preparation for the forthcoming market launch.

Entrepreneurial competence refers to the risk and drive of the manager responsible for the firm’s growth. The notion of entrepreneurial competence as a set of competences that entrepreneurs need to succeed in their entrepreneurial activities is widely recognised (Bird, 1995; Chandler and Jansen, 1992; Hood and Young, 1993; Man and Lau, 2000; Mitchelmore and Rowley, 2010). It is suggested that entrepreneurial competences are needed to start a business (Chandler and Hanks, 1994a, 1994b), while managerial skills are needed to grow it (Man et al., 2002). It is the entrepreneur’s interest and entrepreneurial competence that gives birth to a company and will affect the speed and nature of the company’s internationalisation (Bloodgood et al., 1996; Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; McAuley, 1999; McDougall et al., 1994; Ruzzier et al., 2007). Still, additional competences are required, as the founder must shift emphasis from entrepreneurial competence to market-focused
competence to maintain successful business growth (Mitchelmore and Rowley, 2010). One example is managerial and human resource aspects being prioritised as tools to facilitate innovation processes (Rammer et al., 2009). In this paper we build on these notions and prepare to identify a shift in the entrepreneurial competence.

The previously mentioned empirical study also identifies changes in primary orientation in INVs (Ghannad and Ljungquist, 2012). As a firm expands, its focus gradually shifts towards a market orientation. The shift from technology to market is expected to be especially crucial to small firms, since such firms have limited resources (e.g., in terms of finance) to protect themselves against competitors’ wrongful appropriation. Thus, technological innovations of start-ups are easy targets for copying by larger firms. Furthermore, a start-up firm that adds market competence to its existing technology competence, instead of substituting the latter with the former, makes a faster shift from technology to market orientation – which may indeed protect against misappropriation by others – due to the maintained technology competence as well as the increased market competence (Ghannad and Ljungquist, 2012). On the other hand, scarce financial resources because of the small size and scope of the workforce likely tempt the entrepreneur to replace competence rather than add to it. The temptation to substitute rather than complement competences may in fact mark the beginning of the end for a start-up firm, if the long-term development of technology competence is permanently or temporarily abandoned and replaced by a short-term focus on establishing market competence (cf., Ellonen et al., 2009; Lubatkin et al., 2006).

The complement-versus-substitute line of thought is similar to the exploration-versus-exploitation continuum (March 1991). For a start-up, as substitution due to limited resources may be the only available option, exploration is the only alternative, since there are normally no existing product markets for the start-up to exploit. For these reasons, we expect INVs initially to have inherently an ‘unbalanced ambidexterity’ (Raisch and Birkinshaw, 2008). Yet, as the small firm grows, we expect a more balanced situation to occur. Recent research suggests that this lack of balance is disadvantageous, since resource-constrained firms particularly need an exploration-exploitation balance (Cao et al., 2009; cf., Hutchinson and Quintas, 2008), which relates to the ambidexterity challenge facing managers in general (Raisch and Birkinshaw, 2008), regarding innovation issues in particular (O’Reilly and Tushman, 2004), and facing small and medium-sized enterprises (SMEs) as well (Lubatkin et al., 2006). Given that this paper examines INVs, which often are resource constrained, as we previously discussed, we add to the theoretical framework the concept of ambidexterity.

### 2.2 Core competence conceptions

Core competence is one of the best-known strategic management concepts; it is an indisputable source of competitive advantage, according to the resource-based view (cf., Barney, 1990; Wernerfelt, 1986), and a general stepping-stone for firm growth (Bogner et al., 1999; Drejer, 2000). The concept was initially developed for large companies, ultimately to provide guidance on corporate diversification, for expansion into new markets, and with newly developed products (Hamel and Prahalad, 1994; Prahalad and Hamel, 1990). The concept is also central to the strategy domain of research (Bogner and Thomas, 1995; Chen and Wu, 2007; Gupta et al., 2009; Hafeez et al., 2007; Ljungquist, 2013) and is applied by practising managers (Eden and Ackermann, 2000; Javidan, 1998; Petts, 1997). Identification is the key to valid core competence application
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(Clark, 2000), that is, measuring a competence against the three previously mentioned criteria; we adopt this procedure, in line with that of other scholars (Ljungquist, 2008; McDermott, 2003; Wheeler et al., 2009). We add to the theoretical framework the concept of core competence.

Previous empirical studies on start-up firms show that functional competences over time are substituted rather than complemented, that is, sequenced instead of paralleled (Ghannad and Ljungquist, 2012), for most cases due to limited financial resources. Competences being sequenced is quite rare in larger firms, at least to our knowledge. Instead, they are either paralleled (functional), combined (integrated), or made to build new competences (second-order): first-order competence comprises customer and technological competences, integrative competence (e.g., Henderson and Cockburn, 1994) is the ability to combine (first-order) customer and technological competences, and second-order competence is the ability to build first-order competences (e.g., Danneels, 2002, 2007). Thus, there seems to be a ‘competence continuum’, ranging from start-ups with functional competences (sequenced), to large firms with integrative competences (paralleled), and higher-ordered (neither sequenced, nor paralleled) ditto. In this paper we do not study the two ends of the continuum. Instead, we focus on what is in-between: small firms in the growth phase. For that reason, we expect to find both paralleled and sequenced competences, the former indicating ‘small-firm competence management’, and the latter ‘large-firm competence management’. We add these notions to the theoretical framework.

Organisational structure is vital for core competence development (Ljungquist, 2008), as the structure channels the efforts and developments. The structure is particularly crucial to specific contexts, such as businesses experiencing growth, or dynamic environments (Ghannad and Andersson, 2012). Several types of organisational structure have been identified: administrative systems and computer software, daily routines and operations, and explicitly communicated company visions and policies (e.g., Nelson and Winter, 1982). In addition, when a firm grows from a highly creative, flexible, and explorative start-up setting to a more fixed-firm setting, repetitive functions become routinised and more structured (Henderson and Cockburn, 1994), eventually forming (daily) routines (Collis, 1994; Winter, 2003). An empirical study (Ghannad and Ljungquist, 2012) noted that a small firm with a technology focus, a well-structured organisation, and a growth plan would shift more rapidly from a technology focus to a market focus. This transformation exemplifies routines actively used for organisational change (Winter, 2003), such as the development of core competences, and growing small firms (cf., Nelson and Winter, 1982). We add to the theoretical framework the concept of organisational structure.

This study builds on the results of an empirical study of technology development facilitators in start-ups (Ghannad and Ljungquist, 2012). That study focused on the initial growth phases, from the start-up per se, with the purpose of exploring parts of the processes during the start-up to enhance core competence applicability to small firms. The present paper focuses on the proceeding phases.

We agree that the life-cycle growth model for firms (Hanks et al., 1993) may be too rational and simplistic (Littunen and Niittykangas, 2010), and leave out entrepreneurial-critical aspects such as learning processes. We also content that “there is no standard linear sequence of stages or problems, but there is a basic set of key issues that all growing firms can expect to encounter at some point” [Phelps et al., (2007), p.17].
In this paper, we distinguish the proceeding growth phases (i.e., post-start-up) by the characteristics of the firm. Time in business is a common measure of company progress. For the small firms, however, it is not the best indicator. Research demonstrates that an INV’s age and size are not significant measurements in innovative contexts compared to larger firms (Damanpour and Wischnevsky, 2006; Sapienza et al., 2006). Therefore, we choose three different phase indicators: core competence developments (indicated by number of employees), the internationalisation process (indicated by foreign sales ratio), and the number of core competence facilitators.

We establish the theoretical framework on three pillars: ambidexterity, competence, and organisational structure – which here form the basis for identification of facilitating and redundant components of core competence. More specifically, the theoretical foundation of this paper we build on the conceptions of ‘ambidexterity status’ for the indication of exploration–exploitation balance; ‘competence status’ to identify shifts in competence combinations, in parallel or in sequence; ‘organisational structure status’ for indication of institutionalised and planned organisational structure; and finally, core competence status for indication of facilitators.

The following section describes how the data were collected and analysed, after which we present the empirical cases, and the discussion and conclusions.

3 Method

The case study is a useful method for a process-oriented (longitudinal) (McGrath and MacMillan, 1995) and comparative exploration, especially as we have little control over events (Flyvbjerg, 2006; Kuivalainen et al., 2010; Yin, 2009). Furthermore, a longitudinal study approach makes it possible to capture what happened, and also how and why it happened (Pettus, 2001). Longitudinal studies can be conducted both in real time (Van de Ven and Poole, 2000) and in retrospect (Tripsas and Gavetti, 2000). The multiple-case study approach was selected to gain in-depth knowledge of the general core competence understanding of INVs, since capabilities and competences are context specific (Laamanen and Wallin, 2009). According to Yin (2009), the study of multiple cases follows a replication rather than sampling logic, strengthening the results by replicating the pattern matching and increasing confidence in the robustness of the guiding theory (cf., Graebner, 2004).

The criteria we used for selecting cases were as follows: INV by definition, that is, the firm became international soon after it was established (Andersson and Wictor, 2003; Knight et al., 2004); manufacturing firm; geographically based in Sweden; independently and privately owned (e.g., not owned by a larger firm), the role of the individual entrepreneur differing, depending on the ownership situation of the firm; and finally, the key respondent having been personally involved in the establishment and internationalisation of the firm. The last criterion was necessary to be able to describe the changes experienced by the key respondent and the firm during the increasing international involvement. Although in an SME such a person is usually the founder or CEO (usually same person), this study intended to use the most suitable person who could, in theory, be someone other than the founder or CEO.

Based on the above criteria, a number of potential cases were identified; the final three were selected based on additional criteria, to increase the replication logic and generalisability by confirming or discounting the interferences (Yin, 2009). All three case
companies were established around 1980 by single entrepreneurs starting operations on an experimental basis in their garages. All are located in the same region in northern Sweden, and all initially received financial aid from the Swedish Governmental Business Development Agency.

3.1 Data collection

This study includes primary and secondary data collected between 2000 and 2007. The primary data consist of a total of 108 semi-structured interviews with 58 people as well as a number of follow up e-mail and telephone interviews. The first case had 26 respondents, the second 14, and the third 23. The ideal design for the present research would have been to start collecting data at the time of an INV’s establishment and follow the company throughout its internationalisation, in order to identify changes in its core competence. However, predicting the birth of such a company before it has even been established is impossible. Therefore, to conduct longitudinal case studies within the timeframe specified for this project, we chose INVs that were in an advanced stage of their foreign operations, and did not wait for ‘ideal’ cases to come up.

Consequently, the data collected on firm establishment and early internationalisation are retrospective in all cases. Still, as we visited the firms several times over the years, we were also able to collect longitudinal data on any changes occurring between our visits. One must recall that, as Leonard-Barton (1995) has pointed out, there are problems with historical data. For example, respondents may not recall important events, and even if they do, their recollection may be subject to bias. As a result, data and methodological triangulation become even more vital to increase the validity of results, when using historical data.

The respondents were selected through snowball sampling. Potter (1996) describes this technique as beginning with a purposive sample in which key informants who can provide important insights are selected. Snowball sampling can be placed within a wider set of link-tracing methodologies that seek to take advantage of the social networks of identified respondents and provide a researcher with an ever-expanding set of potential contacts (Spreen, 1992). In every case, we started by interviewing the person who had an overview of the organisation. This person was usually very well informed and was able to report on the organisation’s policies, history, and future plans. This person was the founder, owner, and CEO of the company. Using this information as a starting point, during each interview, we identified potential internal and external respondents who might supply additional relevant information; internal respondents included export managers, product development managers, design managers, owners, CEOs, and board members, while external respondents included spouses, business acquaintances, former partners or employees, agents or distributors, and people with good insight into the organisation, industry, or founder/entrepreneur under investigation.

In each interview, we tried to maintain an informal and passive role in the conversation, using the interview guide as a simple checklist to ensure that all relevant topics were covered; consequently, we adapted both the wording and sequence of questions to each interview. In the context of the interview, we were free to build a conversation in a particular subject area, to word questions spontaneously, and to establish a conversational style. The interview locations depended on the respondents, and interviews were held in several countries. Interviews lasted from one to four hours,
and were recorded, transcribed, and sent to respondents for correction and verification. The transcripts were written up in case summaries, which were validated by the key informants.

Secondary data were collected from annual reports, internal reports, newspaper articles and memos. If available, other academic studies (undergraduate and/or graduate) investigating the case companies were used as secondary data. This heterogeneous approach, which provided a multi-faceted perspective and facilitated comprehension and analysis, had two purposes: first, to enrich the empirical cases with multiple descriptions, which improves their trustworthiness and enhances content validity (Rouse and Daellenbach, 1999); and, second, to enhance reliability by triangulating the data and method (Creswell, 1994).

3.2 Data analysis

Qualitative data analysis consists of data reduction, data display, and conclusion drawing/verification, according to three concurrent flows of activity (Huberman and Miles, 1998; Miles and Huberman, 1994). Data analysis is widely recognised as the most difficult and least structured area of case study research (Eisenhardt, 1989). To overcome this weakness, two forms of analysis were used. Results of this study were analysed from both a within-case perspective and a cross-case perspective. In the within-case analysis, the evidence from each of the three cases was analysed separately, utilising the frame of reference as a basis for analysis. The findings of the within-case analysis consisted of any similarities or dissimilarities relative to the frame of reference and the theoretical framework. Once the within-case analysis was complete, a cross-case analysis was initiated to uncover cross-case patterns. Consequently, this analysis focused on issues and aspects that could only be understood by comparing the cases. These findings were presented verbally and discussed with colleagues.

In the following paragraphs, we describe the cases in-depth, to establish a contextual understanding of the longitudinal growth and development the three empirical cases went through.

4 The empirical cases

4.1 Liko

Liko AB is located in Alvik, a small village with 770 residents, in northern Sweden. The company specialises in developing, manufacturing, and marketing lifts, transfer equipment, and other medical equipment for people whose mobility is impaired. Its main products are patient lifts – stationary, mobile, and horizontal – and its product range also includes beds, mattresses, slings, leg extenders, and other accessories for heavy lifting and healthcare. This is a niche market with approximately 20 major players worldwide, half of which are Scandinavian. The entrepreneur founded the company in 1979, and from the outset, it has experienced a 25% annual growth in turnover. The company, including its subsidiaries, today employs over 300 people and has a turnover of over EUR 50 million. Liko is ranked the third largest company in this sector, with approximately 20% of the world market share.
In its initial year, technological competence was dominant in the firm. The initial prototypes of the manufactured lifts were superior to the competitors’, since they included highly advanced technological solutions. However, as hospital management (the purchasing decision maker) and therapists (end users) could not understand all the advanced functions, the entrepreneur had to simplify the product technology. Price was not the main factor attracting customers to the firm’s products; instead, Liko’s products were more consumer-friendly, safer, and quieter than the competitors’ products. Though market adaptation was a driving force inspiring the entrepreneur during the initial start-up phase of the firm, this dynamic changed over time. The company initially focused on competing products in light of customer needs. Later, as the company obtained a substantial share of its main markets, it was again forced to concentrate on technology to maintain its position as a market leader. At this time, the company had the brand name, logistics channels, and resources to introduce products that had never existed before and to convince buyers of the need for them; for example, the ‘bus for all’ product includes a traverse overhead lift usable in commercial buses, motor homes, caravans, trains, and boats. Liko was the first company to introduce such a product in 2006.

Throughout Liko’s internationalisation, the entrepreneur has avoided certain markets such as South America, the Middle East, and Africa.4

“The reason why we haven’t entered such markets is because there is no business in those markets since the volumes are too small. I have always said that we are not missionaries: someone else must work up the market and create demand before we enter, since it is too expensive to be the first.”

Opinions on this issue differ among Liko personnel. The project manager believes that Liko has not entered markets such as South America because it lacks the capacity to produce products fast enough to enter such large markets; he feels that Liko has avoided certain markets so as not to lose focus on its present markets. However, the project manager is considering entering some of these markets today:

“As early as 1998, I had decided to enter the South American market. There was no international competition there, but the preliminary market research we conducted indicated that there were some minor domestic competitors (for example, in Brazil) that were copying our products. I am not worried about being first in that market. Right now we are doing a more in-depth study of these markets. When all the data are collected, we will make the final decision on whether or not to enter [them].”

After the millennium, the entrepreneur was forced to reevaluate his position regarding entering distant markets. Consequently, Liko has started to enter markets such as the Middle East and China. In 2005, it also signed a contract with a continent-wide distributor in Africa to promote its products there as well.

The Liko entrepreneur was advised to write down all his thoughts and ideas regarding the firm and to distribute them to all employees. This resulted in a book, the Little Green Book of Liko, containing 42 principles for the firm and its strategies. This clearly articulated vision has helped keep the company together and is greatly appreciated by employees. Through this book, the entrepreneur explicates, standardises, and transfers his inner beliefs and thoughts to the rest of the firm, helping him preserve the entrepreneurial spirit among the employees. An important issue worth noting is that the Liko entrepreneur, when developing new products, thinks not only as a product developer, but
also as a marketer and businessperson. For example, the entrepreneur has often restrained himself from certain R&D investments. He has not only acknowledged his own limitations in market competence, for example, hiring his older brother as export manager, but has limited his own striving for technological perfection in R&D processes, for example, passing over further product developments due to an expected restricted market payoff. Instead, he acknowledges his entrepreneurial drive, and accordingly focuses on that, providing direct evidence of entrepreneurial competence in operation.

The vast product development in Liko has led to problems with other companies copying its products. A review of the main competitor’s website supports the entrepreneur’s claim that Liko is the industry leader in introducing new products to the market, adapted to customers’ previously unmet specific needs.

4.2 Polaris

Polaris Group is a privately owned niche company that manufactures and sells rimless eyewear. Its headquarters are located in northern Sweden, and it was here that the entrepreneur and present owner started the company in 1979. Polaris Group has remained fairly constant in size over the decades, employing approximately 60–80 people, though turnover has increased significantly in recent years. In 1981, the Group had a turnover of EUR 1 million, while today its turnover is approximately EUR 9 million. Almost 95% of its total sales are generated in international markets: Japan and the United Kingdom are the two most important markets, generating almost 65% of company sales.

The Polaris entrepreneur was a pioneer in learning how to use and colour a specific new material. During the start-up process, the Polaris entrepreneur also solved a manufacturing problem that had been haunting rimless eyewear manufacturers for several decades. He managed to use alternative, more technologically advanced, manufacturing methods as well as novel materials (i.e., soft screws) that solved the problem. The Polaris entrepreneur also had the opportunity to travel to major trade shows in Europe, meet eyewear suppliers, and further develop his business network. This network, along with his earlier international friends, soon became important in Polaris’s international growth plan. A major problem was that neither the entrepreneur nor any of his employees had any international selling experience – they did not know where to start the internationalisation process. The entrepreneur’s personal network became a stepping-stone, in that when he visited his friends, he also asked for advice in seeking partners for distribution, sales, and so on, in the focal country. Within five years of establishment, the company was represented in over 18 countries on four continents. In 1984, after its first five years, the company had grown to 104 employees and had a turnover of EUR 3.2 million. At that time, the company was facing many problems in production, quality control, logistics, and marketing due to its rapid growth, but these were not dealt with by the entrepreneur. As one former external board member and chair explained,

“We tried to find someone... but nobody was good enough... I introduced him to a number of skilled people, but he [the entrepreneur] wasn’t interested. Finally, we said, “Let’s give up”. I think [the entrepreneur] has difficulties estimating the competence of external people. He would, for example, never think it’s worth paying for consultants – he thinks they are worthless.”
The entrepreneur verified this, adding, “I didn’t want anybody who was thinking that they knew better than I did. I must admit that I was afraid that it would be someone else’s agenda and opinion that would be decisive, instead of what I thought and felt”.

Consequently, Polaris entered a decline phase for the next nine years, and only in 1992 did it again reach the same turnover as in 1984. Since 1992, the company has continued slow organic growth with the entrepreneur as its owner, CEO, and inventor/product developer. Despite having reached the official retirement age, he is dedicated to continuing to advance the firm’s growth. He explains: “I am like Kamprad – I will work for all eternity, until I die. I have no thoughts of retiring – I have too much fun for that”. As one board member put it, “Several times [we] tried to raise the issue of a future without [the entrepreneur], but he put the lid on the discussions. It is difficult to have such discussions with someone who owns the company”.

4.3 Index

Index is a privately owned company that manufactures and sells high-quality, technically advanced Braille printers. The company, which is located just outside one of the largest towns in northern Sweden, is the world leader in high-speed single- and double-sided Braille embossers. The company was established in 1982 by the present CEO and owner and has 12 employees with an annual turnover of approximately EUR 3.5 million. Today, 97% of the firm’s total sales are exported to approximately 80 countries worldwide. The firm’s largest export markets are the USA, Canada, and Europe, which collectively account for 70% of total exports.

During the product development process, the Index entrepreneur made use of his social network: he asked his colleagues to help him with electronics and funding and his former university teachers to help with the product design. Later, when the prototype was finished, he used the knowledge possessed by his friends and family members in manufacturing and promoting the product.

During customer interactions and product demonstrations, the Index entrepreneur also established a professional network among potential customers. This network also meant the building of mutual trust among distributors, agents, and resellers, which benefited the INV when it came to marketing its innovative new products.

The Index entrepreneur’s advanced engineering skills contributed greatly to the technological development needed to invent such a product. Index has several strengths and advantages compared with its larger competitors. As the entrepreneur explains:

“There is a huge difference between us and our competitors around the world. First of all, we have better prices and smaller printers with higher performance. Furthermore, we are the only one offering a complete solution. All others just deliver the printer, and then it’s the customer’s responsibility to buy the correct software, install it on the server, and so on. We not only sell the product, but also the services around it. This has been my strategy all along, and especially over the past four years, I have spent 25–30% of the company’s resources on developing this thinking. This effort hasn’t borne fruit yet, but I believe that in 2003–2004 our productivity will increase and we will have even more competitive products.”
The entrepreneur also mentioned that his firm has high sales per employee. He claims that his competitors need three times more employees to generate the same sales. This high productivity might be because Index’s employees are highly competent with experience of both the mechanics and the software, while its foreign competitors have more employees because of the lower labour costs.

The Index entrepreneur does not believe strongly in patents as a competitive tool: “We have patented one of our printer heads, but this is more to be able to mention it in our marketing”. He believes that Index is too small to be able to patent its products in all markets and, even if it did, Index could never take on a patent fight due to its size and limited resources. On several occasions, competitors have copied some unique features that Index has developed. The entrepreneur’s comment on this is: “That’s life! You cannot protect yourself with patents – it costs too much and we have too small a volume for that. Instead, we are trying to protect ourselves by having a good market position”.

For many years, the critical process in Index has been printer development. Over the past five years, however, this has been complemented by another vital process, namely, production. Research and development is an expensive process, and the entrepreneur claims that Index is very successful at it: “Many of our competitors are amazed at how Index, with three to four times fewer people in research and development than they have, still achieves more”. He proudly continues, “My secret lies in the development of platforms. Today, I am not touching the small details”.

By having the right structure, only a few key employees are necessary to achieve the same results as those of Index’s larger counterparts. The entrepreneur continues:

“What makes this firm unique is that we stand on two legs:
(a) development – my focus on printers over the past 20 years has made it possible to offer printers and platforms that no one else has. It will take the other competitors years and several million to get where we are today. We are very skilled at developing and manufacturing printers – we don’t do any production at all, but outsource everything to different firms.”

For the entrepreneur, it is necessary that Index maintain its position as the ‘spider’ in the production web. Consequently, despite the fact that all parts are outsourced for manufacturing, Index has maintained the strategically important function of assembling the finished modules into complete printers. He explains: “This is a strategically important process, since it gives us the flexibility to both grow and shrink. The process is moving towards having increasingly complete modules, which require less time for us to assemble”.

External suppliers are located using standard industrial buying processes. However, if suppliers fail to offer the quality required, Index will immediately search for new ones. The entrepreneur emphasises the importance of not giving away all the production process (i.e., retaining the assembly function), because “Then what will stop them from becoming our competitors?” The module system has also resulted in faster, more convenient, and cheaper after-sales service. Today, if a customer has a problem with a printer, he or she need only return the faulty module, which Index will forward to the manufacturer involved. In this way, there is no need to send the whole printer back and forth. The module system idea is something a former colleague takes the credit for. As he
remembers, at an early phase, the Index entrepreneur was thinking of buying the equipment needed to manufacture the printers: “I told him, however, that it was probably wiser to let specialists manufacture it. We let them do the cutting, drilling, grinding, colouring, and delivering. We just assemble and test the product”.

In recent years, the number of competitors has decreased, though the ones remaining have become larger. Though Braille printer prices have decreased somewhat, which has increased the competition, Index’s market share has remained fairly constant over the past few years.

In the next section, we discuss the findings.

5 Discussion

In some entrepreneurial activity, time in business as a measure of company progress is not the best indicator; the cases examined here are about the same age, and two of them are rather small, though well established on their markets. Research demonstrates that an INV’s age and size are not significant measurements in innovative contexts compared to those of larger firms (Damanpour and Wischnevsky, 2006; Sapienza et al., 2006). Therefore, we here choose three different phase indicators: core competence developments (indicated by number of employees), the internationalisation process (indicated by foreign sales ratio), and the number of core competence facilitators.

In the following section, we describe three growth phases: small-firm phase, youth-firm phase, and mature-firm phase, which approximately indicate 5, 10, and 20 years from the cases’ start-up; phases are the result of a retrospective description.

5.1 Small-firm phase

Looking more closely at the empirical cases, it is possible to identify different forms of competence iteration. One of the cases (Liko) started with single technology competence but soon added market competence; several iterations then followed, both in sequence and in parallel. Another of the cases (Polaris) tried to maintain paralleling the competences but was forced to prioritise them sequentially, in alterations, focusing first on technology competence, then market competence, then technology again, and so forth. Resource limitation (in Polaris), however, is not the single explanation for this, as the slower growth was not due only to the limited access to resources per se. Instead, the sequencing of competences was primarily due to the entrepreneur’s unwillingness to involve other competences, that is, people. The third case (Index) started out, like the other two firms, driven by technology competence. Index soon displayed a different pattern by sequencing technology and market competences for a brief period. When the firm could not achieve satisfactory market performance, further technology development was postponed (and accordingly, the technology competence as well) in order to focus solely on market competence. Thus, the competence development went from parallel to sequential. In addition, the decision caused the previous core competence–based technology to erode and eventually to become redundant.
In Table 1, we present the initial status – the small-firm phase – of the cases analysed here. The table describes the phase indicators (number of employees, foreign sales rate, and number of core competences), the theoretical framework adopted in this paper (competence status, ambidexterity status, and organisational structure status), and the analysis (core competence status: facilitating components). At the time of this phase, all cases had been in business for about five years.

<table>
<thead>
<tr>
<th></th>
<th><strong>Liko</strong></th>
<th><strong>Polaris</strong></th>
<th><strong>Index</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>2</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Foreign sales ratio</td>
<td>8%</td>
<td>2%</td>
<td>56%</td>
</tr>
<tr>
<td>No. of core competences</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Core competence</td>
<td>Technology and market</td>
<td>Technology or market</td>
<td>Technology</td>
</tr>
<tr>
<td>Competence status</td>
<td>Sequenced and parallel</td>
<td>Sequenced or parallel</td>
<td>Intermittent</td>
</tr>
<tr>
<td>Ambidexterity status</td>
<td>Exploration</td>
<td>Exploration</td>
<td>Exploration</td>
</tr>
<tr>
<td>Organisational structure status</td>
<td>Daily routines</td>
<td>-</td>
<td>Manufacturing system</td>
</tr>
<tr>
<td>Core competence status: facilitating components</td>
<td>• Entrepreneurial competence</td>
<td>• Entrepreneurial competence</td>
<td>• Entrepreneurial competence</td>
</tr>
<tr>
<td></td>
<td>• Adaptation competence</td>
<td>• Adaptation competence</td>
<td>• Organisational structure</td>
</tr>
<tr>
<td></td>
<td>• Network competence</td>
<td>• Network competence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Organisational structure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.2 Youth-firm phase

Only two of the cases continued to expand beyond the small-firm phase. The third case (Index) was unable to develop a new core competence in addition to its initial one, which was both technology and market related. When the technology was not advanced and updated, key employees left the firm to start their own businesses. One initial employee, for instance, left to start a software firm having Index as its only customer; after a while, software services were also requested by other customers, and soon the software competence, initially specific to the firm’s technology, was lost. In another example, two employees tried to convince the entrepreneur to start a wholesaling firm in Scandinavia catering to blind and disabled people. He refused, since he wanted to maintain the firm’s focus on the initial product, so the two employees left to start the business themselves. The reluctance to grow is a tendency not uncommon in highly innovative small firms (Hotho and Champion, 2011). The reason in this case, however, was primarily that the entrepreneur did not want to change or update the initial technology. Thus, the
entrepreneur’s competence and persistence, which had initially succeeded in developing a new generation of the product, eventually became an obstacle to further firm expansion. This phenomenon, however, is not unique to smaller INVs; numerous large firms have stepped into a (technology) ‘inertia trap’, which eventually leads to stagnated growth of the firm (Tripsas and Gavetti, 2000). Yet, the Index entrepreneur was ambivalent on growth: he actually prepared the organisation for a large-firm structure. He developed a technological module system both to support efficient manufacturing processes among the outsourced suppliers, and primarily, to protect the technology and product from being copied. The module system is still in use in the firm. Unfortunately, the structure alone was not sufficient to leverage the firm to grow, and therefore it failed to enter the next phase.

The Polaris case is similar in some ways to the Index case, though the former had the ability to renew the initial technology core competence into a new core competence. However, he was unable to bring administrative structure to the firm. For that reason, the firm basically had no structure at all for many years, which obviously was frustrating to employees, who expected more empowerment and more constructive discussions, eventually causing dissatisfaction and withdrawal from the firm. Research into SMEs particularly emphasises the importance of the communication process (Nelson et al., 2007). The Polaris entrepreneur eventually initiated a professional company board including firm-external members; however, occasionally he exploited his position as owner and overruled the board’s decisions.

The Liko case developed differently from the other two cases. Early on, even in the start-up phase, certain employees were involved in initiating and developing both existing and new core competences. Though the entrepreneur too was a ‘self-made man’ and wanted to manage and control various aspects of the firm, he knew when to back off and leave particular firm activities to more skilled people. In addition, due to the firm’s high pace of expansion, he soon understood he could not control or have information on all relevant issues. As he did not want to leave the firm without direction, but wanted it to continue along the same path, at that time, he wrote the Little Green Book of Liko, which explained the firm’s visions, main structures, and routines. Thus, the entrepreneurial competence was de-emphasised to avoid the firm becoming a ‘one-man show’, which can be de-motivating for employees and impede implementation of efficient organisational routines. Employee motivation was particularly relevant, together with the drive and creativity of entrepreneurial competence, adaptation competence in explorative matters, and organisational structure in the form of routines and systems.

The youth-firm phase involves both similarities and differences among the cases. All of them maintained the strong entrepreneurial competence that originally was the main reason for the successful start-up. One of the cases, however, was unable to keep up the momentum of the technology development. This was devastating for the firm’s core competence development, and the fast initial growth was soon brought to an end. The case therefore did not enter the youth-firm phase.

Table 2 summarises the youth-firm phase of the cases. At the time of this phase, all three cases had been in business for about ten years. The Index case is de-emphasised, since it did not enter the youth-firm phase; firm information for the phase is included for comparison reasons.
Table 2  

The youth-firm phase of the three cases, approximately ten years after start-up

<table>
<thead>
<tr>
<th></th>
<th>Liko</th>
<th>Polaris</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>20</td>
<td>56</td>
<td>7</td>
</tr>
<tr>
<td>Foreign sales ratio</td>
<td>69%</td>
<td>86%</td>
<td>56%</td>
</tr>
<tr>
<td>No. of core competences</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Core competence</td>
<td>Technology and market</td>
<td>Technology and market</td>
<td>Technology</td>
</tr>
<tr>
<td>Competence status</td>
<td>Sequenced and parallel</td>
<td>Sequenced or parallel</td>
<td>Intermittent</td>
</tr>
<tr>
<td>Ambidexterity status</td>
<td>Exploration</td>
<td>Exploration</td>
<td>Exploration</td>
</tr>
<tr>
<td>Organisational structure status</td>
<td>• Daily routines</td>
<td>• Network competence</td>
<td>• Entrepreneurial competence</td>
</tr>
<tr>
<td></td>
<td>• Explicit vision and policy</td>
<td>• Adaptation competence</td>
<td>• Organisational structure</td>
</tr>
<tr>
<td>Core competence status: facilitating components</td>
<td>• Employees’ innovation competences/de-emphasised entrepreneurial competence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Entrepreneurial competence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Adaptation competence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Organisational structure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.3 Mature-firm phase

The last phase represents a mature-firm phase, and only one of the cases reaches it: Liko. The Liko entrepreneur continued to develop the firm along the same trajectory and continued involving employees to an increasing extent in initiating new core competences. He actually stepped down further, ‘self-reducing’ the entrepreneurial competence, and made selected employees the prime development drivers of both existing and new core competences and products. Company progress continued, and the firm grew into a large corporation with several strategic business units. This diversification into related areas, supplying garments and consumer products such as wheelchairs, beds, mattresses, and other furniture, reinforced the core business. Besides activities to explore the addition of new product markets, efforts were made to improve existing markets as well. That is, exploitation (March 1991) was added to the previous exploration as a growth principle, bringing more balance to the ambidexterity of the firm, which enhanced the firm’s innovation outcomes (Chang et al., 2011).
Although the number of core competences for the Liko case increased during this phase, the number of core competence facilitators declined from four to two. Entrepreneurial competence became redundant, partly due to the ‘self-reduction’, and partly due to the ‘entrepreneurial spirit’ being transferred into explicit visions, policies, and so forth, as previously is mentioned. The other facilitator that became redundant was adaptation competence. Although adaptation was (and is still) crucial to Liko’s products and markets, a particular competence of adaptation was no longer needed, since organisational routines, systems, and such now guided the adaptation. Thus, both the entrepreneurial competence and the adaptation competence were institutionalised and transformed into organisational structure. The redundancy of the entrepreneurial competence was emphasised when an external CEO was hired, which also enhanced the firm’s facilitating structure (see Table 3). At the time of this phase, all three cases had been in business for about 20 years. The Index and Polaris cases are de-emphasised, since they did not enter the mature-firm phase; firm information for the phase is included for comparison reasons.

**Table 3** The mature-firm phase of the three cases, approximately 20 years after start-up

<table>
<thead>
<tr>
<th></th>
<th>Liko</th>
<th>Polaris</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>320</td>
<td>90</td>
<td>12</td>
</tr>
<tr>
<td>Foreign sales ratio</td>
<td>81%</td>
<td>94%</td>
<td>98%</td>
</tr>
<tr>
<td>No. of core competences</td>
<td>&gt;2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Core competence</td>
<td>Technology and market</td>
<td>Technology and market</td>
<td>Technology</td>
</tr>
<tr>
<td>Competence status</td>
<td>Sequenced and parallel</td>
<td>Sequenced or parallel</td>
<td>Intermittent</td>
</tr>
<tr>
<td>Ambidexterity status</td>
<td>Balance of exploration and exploitation</td>
<td>Exploration</td>
<td>Exploration</td>
</tr>
<tr>
<td>Organisational structure status</td>
<td>-</td>
<td>-</td>
<td>Manufacturing system</td>
</tr>
<tr>
<td>Core competence status: facilitating components</td>
<td>Employees’ innovation competences</td>
<td>Entrepreneurial competence</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Organisational structure</td>
<td>Social network competence</td>
<td>Entrepreneurial competence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adaptation competence</td>
<td>Organisational structure</td>
</tr>
</tbody>
</table>
6 Conclusions

In this paper, we identify different growth paths among three empirical cases on the phases beyond start-up: small-firm phase, youth-firm phase, and mature-firm phase.

In the small-firm phase, the entrepreneur’s competence (and spirit!) basically is sufficient to facilitate growth. Additional components essential for start-up (social network competence, added market competence, and initial need for external funding) further improve the initial success. Paralleled competences [what Danneels (2002) calls ‘integration’] is crucial not only to launch the initial developed technology to market, but eventually to update the technology into new products, to launch them to market, and so on in iteration. When the paralleled/integrated competence is missing, the youth-firm phase cannot be entered. This is what happened to one case in the empirical study. Thus, we conclude that a paralleled/integrated competence, in, for instance, technology and market, is not only wanted, it is essential for small-firm growth, or else growth is obstructed.

For the next phase, the youth-firm phase, some of the initial competences critical to the small-firm phase are transformed: the initial need of external funding, which for the small-firm phase, and even more so for the start-up, is a crucial activity to prepare market launches to external parties, obviously becomes less important in the youth-firm phase. However, the experience and knowledge acquired from ‘pitching’ for funding proved to be an important skill for sales and marketing activities in one of the cases. Furthermore, added market competence was incorporated into the product/market strategic and daily activities – into the regular in-house sales forces, agents, and distributors. Thus, the previously crucial competence was transformed into organisational routines and structures – which ultimately will remain important for future growth as well, into the large-firm phase (Ljungquist, 2008). We conclude that an essential competence may become redundant in subsequent phases. Thus, competence configurations are growth-phase dependent.

To move from the youth-firm phase and to enter the mature-firm phase, exploration is not enough. Despite being the hallmark of the small-firm phase and the youth-firm phase, it eventually becomes insufficient to facilitate further growth. Instead, a balanced exploration/exploitation ambidexterity (cf., Cao et al., 2009; Lubatkin et al., 2006; Raisch et al., 2009) is needed. Our findings suggest that less (entrepreneurial) exploration and more (corporate) structure are needed for the mature phase. Organisational structure was, for instance, brought about by explicit managerial visions and policies such as the policy-book of one case company, together with the hiring of an external CEO instead of the entrepreneur, which also further de-emphasised the entrepreneur per se. In addition, in the mature phase the motivation and competences of the employees – including the external CEO – drive the innovation and core competence developments, as well as firm growth, in combined yet balanced exploration and exploitation endeavours. For efficiency reasons, this is supported by organisational structure in routines and systems. Thus, we conclude that the highly important entrepreneurial competence (and spirit!) found in exploration and flexibility – crucial for early growth phases – eventually need to be de-emphasised, and maybe removed and replaced by more balanced and structured exploitation developments and leadership styles.

See Table 4 for a summary of the facilitating and redundant components of core competence of the different growth phases. As shown in the table, all facilitating
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components from the small-firm phase eventually become redundant; for the mature phase, they are all gone or transformed into institutionalised structures and routines. Thus, we conclude that there is an explicit need to acknowledge the different characteristics of the growth phases, and in particular the facilitating and redundant components, since the former, if not transformed, will ultimately also become redundant.

Table 4  Facilitators of core competence development during firm growth phases

<table>
<thead>
<tr>
<th>Firm growth phase</th>
<th>Core competence facilitating components</th>
<th>Core competence redundant components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small phase</td>
<td>• Entrepreneurial competence</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>• Network/social competence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Added market competence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Initial need of external funding</td>
<td></td>
</tr>
<tr>
<td>To enter youth phase</td>
<td>Sequenced or parallel competence integrations</td>
<td>-</td>
</tr>
<tr>
<td>Youth phase</td>
<td>• Adaptation competence</td>
<td>• Added market competence</td>
</tr>
<tr>
<td></td>
<td>• Network competence</td>
<td>• Initial need of external funding</td>
</tr>
<tr>
<td></td>
<td>• Entrepreneurial competence</td>
<td></td>
</tr>
<tr>
<td>To enter mature phase</td>
<td>Balanced ambidexterity</td>
<td>-</td>
</tr>
<tr>
<td>Mature phase</td>
<td>• Sequenced and parallel competence integrations</td>
<td>• Network competence</td>
</tr>
<tr>
<td></td>
<td>• Employees’ innovation competences in technology and market</td>
<td>• Entrepreneurial competence</td>
</tr>
</tbody>
</table>

6.1 Theoretical contributions

In this paper, by the strength of longitudinal research we shed some light on the processes of INVs gaining international competitiveness. This is in line with what is suggested by Jones et al. (2011) who after an extensive review of the research in the field of IE concluded that diversity in theoretical foundations and process-oriented methodology will strengthen IE as a whole. One main theoretical contribution of this paper is the discovery that start-ups and small firms seem to need different critical competences during the growth phases (small firm, youth-firm, and mature firm). In fact, our discussion shows a competence critical for one phase may need transformation, as it may be at risk to become redundant or even to become an obstacle for the next following phases.

Despite some competences (technology, market, network, and entrepreneurial competence) being essential facilitators during start-up and for the small-firm phase, their importance is gradually reduced as the firm grows.

Another main theoretical contribution of this paper adds to the core competence literature (Ljungquist, 2008, 2013; McDermott, 2003; Prahalad and Hamel, 1990) by identifying facilitators of core competence development during the INV’s growth. In addition, the paper also adds theoretically to existing competence theory (Danneels, 2002, 2007; Mazzarol et al., 2009; Scott and Bruce, 1987) in our finding that the importance of
functional competences could erode during firm growth, a phenomenon highlighted in the dynamic capability literature (e.g., Teece et al., 1997), yet seldom in the RBV literature.

The findings also highlight a distinction between competences and organisational structure. The former, as just described, can be transformed from an individual to the firm, and institutionalised during a firm’s growth. The latter, however, are by definition already institutionalised in routines and systems (cf., Nelson and Winter, 1982). This notion could be related to the suggestion by researchers that capabilities gained by virtue of early internationalisation may give new ventures learning advantages that increase the probability of growth (Autio et al., 2000); yet, the causal logic of this relationship has not been fully articulated (Zahra, 2005), and it lacks empirical evidence in this study. In this paper, we see the importance of organisational structure in all of the empirical cases: one case could not, despite a well-developed organisational structure, enter the youth-firm phase. Another case was, due to lack of organisational structure, hindered in entering the mature-firm phase. The third case, however, early on prioritised organisational structure and therefore went through all phases, and beyond, without disturbance. From this we conclude that organisational structure not only supports organisational change, as suggested by Winter (2003), but could also be essential for entering a phase. In addition, the findings also indicate that the timing of organisational structure makes sense. This adds to previous findings that organisational structure is not only a guide for formal and planned change (Winter, 2003), but also a facilitator of growth (Ljungquist, 2008).

6.2 Managerial implications

When a start-up is built on a technology competence, a market competence soon needs to be added (not complemented with), and ultimately a network (social) competence as well. The two former competences need to be combined, preferably in parallel – or in sequence – for ideal core competence development. This will bring the firm into the youth phase. To grow the firm even further, the initial primus motor, the entrepreneur, ultimately must resign from managing everything. If the entrepreneur’s main interest is in technology, for instance, a main concern could involve efforts to balance the firm’s ambidexterity by adding exploitation to the initial exploration. If, on the other hand, market competence previously has not been prioritised, this is the right timing: to further enhance the firm’s exploitation. To enter the mature-firm phase, the entrepreneur/CEO needs to control the firm’s organisational structure: by explicating visions and policies to enhance and release employees’ innovative drive, and also to address efficiency in daily routines and systems. For further firm growth, the entrepreneur must rather step away from the daily business of the firm, to leave space for innovative ideas and (corporate) entrepreneurial efforts to prosper.

6.3 Limitations and recommendations for future research

Longitudinal empirical studies with qualitative analysis bring rich descriptions and in-depth knowledge. The downside is general applicability, which is low. Future studies would preferably fill in this shortage by using a different methodological approach. Further research is needed primarily to test our findings in a large-scale empirical study, but also to examine other types of firms: service-producing, and knowledge- and research-oriented firms. We also need more knowledge on key success and essential
competences, and how and when they erode, become transformed and institutionalised, or maybe for the firm’s future success, even must be omitted.

We also need to advance the present research of ambidexterity matters in small firms, preferably by an in-depth study. In addition, most empirical studies of ambidexterity in smaller firms focus on ‘innovation orientation’ (He and Wong, 2004; Lubatkin et al., 2006), particularly in technology, as these firms are usually operating in highly dynamic environments (Cao et al., 2009). This could bias the conceptions and results, since start-ups, service firms, and INVs in mature industries, for instance, are overlooked. Conducting a longitudinal empirical study would likely deal with these issues (Raisch et al., 2009).

References


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Notes

1 Prahalad and Hamel (1990) state that a competence is ‘core’ if it fulfils three criteria: it gives access to new markets (a start-up is obviously entering a new market), it creates customer satisfaction via the end product (an essential early criterion of a start-up, if it is to stay in business and to prosper), and it is competitively unique (possibly the main reason – an opportunity found or created – why the start-up was originally launched).

2 We here refer to the entrepreneur’s personal network, and not to the networks of, for example, technology development companies, which today are generally involved in, for example, open innovation.

3 Integrative competences may per se be either sequenced or paralleled. The constituting competences, i.e., being integrated, are paralleled only. In this paper, we only focus on describing the constituting competences.

4 Liko did, however, enter South Africa in 2005.

5 The founder of IKEA.