

Stakeholders and Marketing Capabilities in International New Ventures: Evidence from Ireland, Sweden, and Denmark

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ABSTRACT

Few studies have examined the dynamic capabilities perspective in the context of international new ventures (INVs) and, in particular, toward their marketing activities. Using a cross-country case approach, this article explores the role of stakeholders in the marketing capability-building processes of INVs in Ireland, Sweden, and Denmark. The study reveals that different stakeholders play a critical role in influencing how INVs build their marketing capabilities to respond effectively to the dynamic nature of international markets in which they operate. The results show that different stakeholder groups (allied, cooperative, neutral, and entrepreneur) can influence the learning processes (single-, double-, and triple-loop) of the firm and can determine the nature of dynamic marketing capabilities (incremental, renewing, and regenerative) needed to create and sustain international competitive advantage. Furthermore, “effectuation logic” can explain how entrepreneurs manage and leverage stakeholder relationships in marketing capability processes to cocreate value for the firm. By incorporating dynamic capabilities, stakeholder, and learning theories, this study offers a dynamic, process-oriented model for INV research and provides much-needed qualitative insights into the dynamic capabilities theory of the firm.

Keywords: international new ventures, marketing capabilities, stakeholders, dynamic capabilities, case method

Dynamic capabilities theory evolved from the resource-based view of the firm (Barney 1991) in response to how firms can sustain resource-based advantages in dynamic environments (e.g., Eisenhardt and Martin 2000; Griffith and Harvey 2001). Firms possessing dynamic capabilities are active generators of competitive resources from which managers “integrate, build, and reconfigure internal and external resources,

skills and functional competencies to address rapidly changing environments” (Teece, Pisano, and Shuen 1997, p. 516). Dynamic capabilities can help the firm implement new strategies in response to changing market conditions by combining and transforming available resources in new and different ways to generate economic rents (Ambrosini, Bowman, and Collier 2009; Teece, Pisano, and Shuen 1997).

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Notwithstanding the rich conceptualizations of this strategic perspective in the literature (Eisenhardt and Martin 2000; Teece, Pisano, and Shuen 1997; Weerawardena et al. 2007), theoretical advancements and empirical evidence have been limited in examining how

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dynamic capabilities materialize for competitive advantage (Ambrosini, Bowman, and Collier 2009; Newbert 2007) and, in particular, for internationalizing new ventures (Evers 2011b; Weerawardeena et al. 2007). Despite significant research output in recent decades on international new ventures (INVs; also referred to as “born globals”) (for reviews, see Jones, Coviello, and Tang 2011; Keupp and Gassman 2009), an apparent deficit of theoretical processual models remains in explaining key managerial processes in INVs and particularly in examining how these firms develop and execute competitive marketing strategies under dynamic and diverse market conditions. Examining the competitiveness routes of INVs from a dynamic capabilities perspective can offer much theoretical value, while also building on two complementary streams of business literature—namely, the strategic perspective of dynamic capability theory and the emergent firm internationalization perspective of INVs. In line with recent calls for more dynamic processual models in INV research (Chandra, Styles, and Wilkinson 2012; Slotte-Kock and Coviello 2010), this article offers a dynamic theoretical model that explains how INVs develop marketing capabilities for international competitive advantage.

Oviatt and McDougall (1994, p. 49) define INVs as “business organisations that from inception seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. A large body of literature has investigated firms that experience rapid international market growth soon after their inception (Andersson and Wictor 2003; Knight and Cavusgil 2004; Oviatt and McDougall 1994). An important discourse in theories about firm internationalization is the creative tension (Autio 2005) between the process theory of internationalization (Johanson and Vahlne 1990, 2009) and INV theory (Oviatt and McDougall 1994). The former theory addresses a firm’s incremental internationalization in stable environments, and the latter theory suggests that new ventures internationalize rapidly into multiple markets under dynamic environmental conditions (Andersson 2004; Autio 2005). In “volatile environments,” top management in INVs needs to develop capabilities to combine and transform resources (Eisenhardt and Martin 2000). Such internationalization behavior means that INVs develop capabilities needed to serve their markets competitively. As a result, INVs may be forced to be innovative in combining their resources (and the resources of others) to internationalize successfully. McDougall, Shane, and Oviatt (1994, p. 483) state that a major feature of INVs, as opposed to established organizations, is

the minimal use of internalization and the greater use of alternative transaction governance structures to conserve resources during the “cash draining formation process.” Because INVs typically possess limited resource capacity, their ability to rapidly acquire and exploit knowledge and resources from actors both inside and outside the firm is crucial. Many studies have established that INVs rely on the social and business networks of their entrepreneurs to overcome tangible and intangible resource constraints, as well as to identify and exploit opportunities in international markets (e.g., Evers and O’Gorman 2011; Vasilchenko and Morrish 2011).

However, the marketing function of INVs has received scant attention in INV literature, as has its relationship with external network actors in building marketing resources and capabilities for the firm. This is surprising because international marketing strategy is critical in creating, promoting, distributing, and pricing products to meet the needs of customers in diverse international markets. Some extant works have used the dynamic capabilities perspective to understand marketing strategies in INVs, though research has directed attention mainly toward market orientation. Narver and Slater (1990, p. 21) define market orientation as “acquiring information about buyers and competitors in the target market and disseminating it throughout [the organization] ... to create superior value for [buyers].” Market orientation has been widely prescribed as a core marketing capability for competitive advantage of INVs and for successful implementation of a firm’s international marketing strategy (Armario, Ruiz, and Armario 2008; Evers 2011a; Ruokonen et al. 2008). Typically, INVs have an international market orientation from inception; they are ultimately exposed to exogenous factors (competition, technology, and institutional and economic factors) of a greater scope, meaning that they experience greater complexity and diversity in their market and institutional environments (Evers 2011a).

Insofar as extant literature has posited that international market-driven, customer-focused firms have more superior marketing capabilities than non-market-driven firms (Rialp et al. 2005), a firm’s diverse network relationships beyond the customer have been central to understanding the international marketing processes of small firms (Chandra, Styles, and Wilkinson 2012; Evers and O’Gorman 2011; Loane and Bell 2006; Vasilchenko and Morrish 2011). A firm’s stakeholders are embedded directly and indirectly in interconnected networks of relationships (Rowley 1997). Similarly,

Chandra, Styles, and Wilkinson (2012, p. 95) suggest that the “pace of learning and feedback processes depends in part on a firm’s resources and abilities but also on the context in which it operates, including the characteristics of the networks in which it is embedded—that is, how internationalized they are and what types of knowledge and resources may be accessed.” Equally, knowledge on the learning processes of INVs is still in its infancy, suggesting a need for more dynamic models that merge learning and networks (Slotte-Kock and Coviello 2010; Zahra 2005).

We respond to these gaps in both streams of literature by exploring how stakeholders and marketing capabilities interact to enable the INV to align its resource deployments. By examining case firms in Ireland, Sweden, and Denmark, we explore the influence of stakeholders on INV marketing processes and capture a more holistic understanding of how INVs develop and implement their marketing strategies. The results show that different stakeholder groups (allied, cooperative, neutral, and entrepreneur) influence the learning processes (single-, double-, and triple-loop) of the INV and can determine the nature of the dynamic marketing capabilities (regenerative, renewing, and incremental) needed to create and sustain international competitive advantage. Two key findings of the study are that “effectuation logic” (Sarasvathy 2001) underpins how many marketing capability processes materialize and that the INV entrepreneur plays a central part in managing and leveraging stakeholder relationships in marketing capability processes.

This study makes several contributions to the literature. In line with Chandra, Styles, and Wilkinson’s (2012) call for more dynamic processual models, we offer a dynamic model with supporting propositions that show that the interactive learning processes between the INV and its stakeholders influence the level and type of marketing capabilities in the firm. This study also gives empirical weight to dynamic capabilities theory and advances Ambrosini, Bowman, and Collier’s (2009) work on the hierarchical levels of dynamic capabilities. This study further extends previous network research on INVs (Chandra, Styles, and Wilkinson 2012; Evers and O’Gorman 2011; Vasilchenko and Morrish 2011) by examining network actors from a stakeholder perspective and their influence on the marketing activities of INVs. This perspective on networks allows for a more fine-grained analysis that identifies how different stakeholders in a firm’s network can influence different types of learning processes and, ultimately, how the INV develops marketing capabilities.

This article proceeds with a review of literature, from which we develop the conceptual framework to explore our research questions. Then, we present the case methodology and case company profiles. We analyze the empirical case findings with supporting tables to capture the processual dynamics of capabilities of the studied firms. Next, we develop propositions and a dynamic model from a discussion of findings in the context of extant literature. Finally, we draw implications and conclusions.

LITERATURE REVIEW

Stakeholder Marketing Perspective

Marketing studies have increasingly recognized that to perform better, firms must consider a broader range of stakeholders, beyond just consumers and competitors (Achrol 1996; Freeman 1984; Gummesson 1994; Polonsky 1999). Donaldson and Preston (1995) identify stakeholders as sets of groups with an interest in improving a firm’s performance. Stakeholders include employees, shareholders, investors, suppliers, regulators, and community groups.

From a marketing perspective, Ferrell et al. (2010) advocate the view that firms need to shift from a market-oriented to a stakeholder perspective to acquire a deeper understanding of their effectiveness and performance. Thus, recognizing the value of such diverse actors in a firm’s market environment rather than focusing on a specific group (typically customers and competitors) strengthens and sustains firm performance. Greenley, Hooley, and Rudd (2005) examine marketing capabilities from a stakeholder perspective. They find that the nature of stakeholder portfolios in large firms determines the types of marketing capabilities they deploy and the deployment of their market assets. They conclude (p. 1490) that companies must “address needs and perspectives of stakeholder groups when developing marketing strategies in product, pricing, distribution and promotion ... so that decision-making cannot be fully loaded in favor of customers.”

Dynamic Capabilities Perspective

Dynamic capabilities theory posits that because marketplaces are dynamic, rather than simple heterogeneity in the resource endowments of firms, it is the capabilities by which firms acquire resources and the ways they deploy them to match the changes in their market environments that are significant. These activities can explain how firms evolve over time because firms must

continuously renew and reconfigure themselves if they are to survive (Zahra, Sapienza, and Davidsson 2006). Teece, Pisano, and Shuen (1997, p. 515) define dynamic capabilities as “the capacity to renew competencies so as to achieve congruence with the changing business environment” by adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies. More recently, Helfat et al. (2007, p. 1) define dynamic capabilities as “the capacity of an organization to purposely create, extend and modify its resource base” to include knowledge, skills, and capabilities, which help the firm generate economic rents (Ambrosini, Bowman, and Collier 2009).

Marketing Capabilities. Marketing capabilities are important marketing-related mechanisms by which firms can deploy superior market knowledge to generate economic rents. Marketing capabilities are complementary to one another, and each can be an individual source of competitive advantage. We use Morgan, Vorhies, and Mason’s (2009, p. 910) operational definition of marketing capabilities, which occur at two interrelated levels: (1) “capabilities related to individual marketing mix” processes, such as new product development, branding, pricing, selling and promotions, channel selection, and management, and (2) marketing capabilities that engage the processes for strategy formulation, development, and execution. Morgan, Vorhies, and Mason call for studies to specifically explore how marketing capabilities are developed and how they help build and deploy a firm’s marketing-related knowledge resources. In the context of INVs, Weerawardena et al. (2007) argue that four dynamic capabilities influence their international development: a market-focused learning capability, a marketing capability, an internally focused learning capability, and a networking capability. Thus, how firms develop dynamic capabilities depends on their learning processes.

Hierarchy of Dynamic Capabilities and Learning Cycles. Teece, Pisano, and Shuen (1997) suggest that the social and collective nature of learning plays a significant part in the creation and development of dynamic capabilities. To illustrate this, Zollo and Winter (2002) and Eisenhardt and Martin (2000) explain that learning is the basis of dynamic capabilities and guides their creation and evolution. Learning as a dynamic capability involves “a process by which repetition and experimentation enable tasks to be performed better and quicker” (Teece, Pisano, and Shuen 1997, p. 520). Leonard-Barton (1992) posits that organizational knowledge management strengthens organizational capabilities.

How a firm learns, acquires, and acts on knowledge is the basis for developing capabilities and can be derived in social learning concepts. Building on extant work (Zollo and Winter 2000), Ambrosini, Bowman, and Collier (2009) suggest that there are three levels of dynamic capabilities. First, incremental dynamic capabilities involve adapting and gradually improving the current resource base (Helfat et al. 2007). For example, organizations can respond quickly by making a product modification or other improvements to satisfy changing market requirements. Second, renewing dynamic capabilities capture “the capacity of an organization to purposefully create, extend, or modify its resource base” (Helfat et al. 2007, p. 1) to operate a sustainable rent stream. For example, a company can introduce its sales operation to new foreign markets by establishing and adapting its sales process and structure to operate in new locations to serve local markets. Without such a renewal of dynamic capabilities, the organization would not be able to prosper and survive under changing conditions. Third, regenerative dynamic capabilities are similar to renewing capabilities, in that they involve restructuring, relearning, and leveraging (Ambrosini, Bowman, and Collier 2009). However, the rationale underpinning regenerative dynamic capabilities is to embed new or improve existing dynamic capabilities as a means to enhance a firm’s current set of dynamic capabilities rather than its resource base. For example, faced with dynamic technological developments, a medical device company may need to combine its technologies with a new sector, such as biopharma, by developing and investing in product capabilities. That is, it combines its mainstream product innovation capabilities in medical devices to converge with the biopharma sector to deliver convergent technology in how drugs are delivered.

Zahra, Sapienza, and Davidsson (2006) note that in precarious environments, such as high-technology sectors, firms need to continuously reconfigure their existing resources and to have the capacity to regenerate their existing dynamic capabilities. Thus, only unique conditions threatening the firm can motivate managers to move away from existing dynamic capabilities toward new ones (Brady and Davies 2004). According to the main concepts of different cycles or “loops” of learning (Argyris and Schon 1978), the learning process itself that the firm follows underpins the level of dynamic capabilities it develops. The linkages between these levels of dynamic capabilities and their corresponding learning cycles warrant further analysis. First, we suggest that single-loop learning generates incremental dynamic capabilities, in which learning is identified in

terms of a change in skills, practices, and actions to meet existing goals and expectations. In organizations, single-loop-learning actors typically respond to changes in their internal and external environment by making adjustments and adaptations to their resource base. This learning cycle is consistent with what is already known in the organization; the only change taking place is within the norms and rules of the organization.

Second, we suggest that renewing dynamic capabilities emerge from double-loop learning, in which learning brings about the firm's adaptation, extension, or modification of resources, norms, values, and organizational objectives (Argyris and Schon 1978). Winter's (2003) higher-order dynamic capabilities (renewing) are related to double-loop and second-order change because they are transformational in nature.

The third, more ambitious level of regenerative dynamic capabilities develops through triple-loop learning. Lassey (1998) explains triple-loop learning as a process by which the organization's mission or role is questioned and describes a simple example of managers intentionally deciding to change the nature of their business from a fast-food outlet to a café. Triple-loop learning occurs when the firm already engages in single- and double-loop learning but must delve deeper when market conditions necessitate it over the course of the firm's life cycle. The firm can experience periodical hypercompetitive environments, which prompt it to question and change the norms and values that underlie its actions, assumptions, and dynamic capabilities (Ambrosini, Bowman, and Collier 2009). Most firms recognize that it is not enough to enhance what they already know; rather, to progress, they must reconfigure organizational thinking and learn to relearn to develop new capabilities that create new competitive resources (Argyris and Schon 1978).

International new ventures are in constant learning mode in dynamic environments, such as high-technology industries. Thus, we argue that for INVs, these three organizational learning processes can occur simultaneously.

Stakeholder Framework Categorization

In this article, we adopt a stakeholder perspective to explore the types of stakeholders and their influence on INV marketing capability-building processes. Inter-organizational relationships involve learning processes between the stakeholder and the firm through

exchanges of, for example, knowledge, resources, expertise, power, and finance. In this way, both parties should consider ways to interact appropriately in strategy formulation and implementation processes (Kimery and Rinehart 1998; Polonsky 1999). Recognizing the learning processes that occur between the firm and its stakeholders is useful because doing so can inform the literature on how dynamic marketing capabilities can be developed.

Extant works have tended to categorize stakeholders under their nominal names (e.g., customers, employees) without reference to the nature of their relationship with the focal firm, and vice versa. Similarly, studies have tended to acknowledge primary stakeholders, such as customers, employees, competitors, and shareholders, as essential for survival, while considering secondary stakeholders, such as interest groups and government agencies, not necessary for survival (Clarkson 1995; Polonsky 1996). Such titular distinctions can be oversimplistic and ignore the nature of relational factors. We draw on Polonsky, Schuppisser, and Beldona's (2002) categorization of specific stakeholders of the firm and actors in allied, cooperative, and neutral groups (see also Achrol 1996).

Allied Stakeholders. According to Polonsky, Schuppisser, and Beldona (2002), employees, shareholders, top management, and other closely tied horizontal actors (i.e., state agencies, research partners, universities) fall into this group. Allied stakeholders share a cooperative relationship orientation with the focal firm, such that both parties are highly committed to the relationship through, for example, idiosyncratic, relationship-specific investments. Parties can move from single- to double- to triple-loop action learning cycles, which enable them to change their individual organizational contexts, such that they can shape a true win-win relationship and continuously adapt to external and internal requirements (Polonsky, Schuppisser, and Beldona 2002). The nature of this learning cycle between allied stakeholders and the firm can bring about renewing dynamic capabilities (double-loop learning) and required regenerative dynamic capabilities (triple-loop learning), whose purpose is to embed new or improve extant dynamic capabilities.

Cooperative Stakeholders. Cooperative stakeholders behave similarly to their allied counterparts; they know enough about the firm to understand the reasons behind any unexpected and inconsistent behavior. Thus, the relationship is robust. However, although parties make

some commitments to the relationship, they are reluctant to make commitments that are too specific. Such stakeholders include suppliers, distributors, direct customers, and other business alliances. We assume that parties enter single-loop learning for incremental changes and double-loop learning when they confront opportunities to improve their cooperative relationship for economic and rent gains. However, the relationship is not so important and promising that they are willing to change their own organizational context to achieve some potential goals.

Neutral Stakeholders. Neutral stakeholders, such as industry experts, opinion leaders, and community groups, interact with the focal firm to achieve their individual goals. However, they perceive their goals as independent of the firm's goals, and there is mutual trust and a degree of vulnerability between the parties insofar as they believe that they can control each other's costs and benefits of opportunistic behavior. Communication is formal and detached and takes place only when the parties make specific requests or negotiate a specific transaction. Polonsky, Schuppisser, and Beldona (2002) posit that learning is predominantly single-loop, such that parties would rather change the relationship partner than change their valued goals. Learning loops serve to discover more efficient instrumental actions to achieve individual goals.

Entrepreneur/Manager Stakeholder. The entrepreneur/manager is an individual stakeholder actor. Managers "have particular importance for dynamic capabilities" (Helfat et al. 2007, p. 20), and it is individual managers themselves, what they do, and how they do it that matter (Felin and Foss 2005; Orlikowski 2002; Sarasvathy 2004). It is not enough for a firm to have resources and relationships with other stakeholders. Proactive entrepreneurs who interact and learn from different stakeholders and actively take advantage of upcoming opportunities are necessary for the firm to develop marketing capabilities and market assets that create international growth (Andersson 2000).

Entrepreneurship literature indicates that networking is an important activity for learning and accessing resources outside the new venture to cope with liabilities of newness and smallness (Politis 2005). However, a criticism of previous studies with regard to understanding the role of learning in entrepreneurship research is that they take a rather static perspective on the process of entrepreneurial learning. Prior studies merely refer to the logic of explaining the causal rela-

tionship between entrepreneurs' previous experiences and the performance of the subsequent venture (Ghanad and Andersson 2012). Similarly, Weerawardena et al. (2007, p. 299) posit that INV founder-managers possess certain network dynamic attributes that drive their firms' capability-building processes to develop knowledge-intensive products for competitive advantage. Andersson and Florén (2011) find that managers in small international firms have capabilities that distinguish them from managers in other small firms. They are more proactive in their networking behavior, delegate operational activities, and devote more time to planned strategic activities connected with their international expansion.

This study explores the role of stakeholder groups in developing marketing capabilities that enable INVs to respond effectively to the dynamic nature of international markets in which they operate. In the previous discussion, we addressed the central concepts of our study. We draw on dynamic capabilities theory to examine the role of stakeholders in marketing capability-building processes. In recognizing the importance of relationships for INVs, we aim to go further by investigating the extent to which different stakeholder groups influence how INVs develop their marketing capabilities and how these capabilities enhance the competitiveness of the INVs. Our conceptual framework explores the following two research questions:

1. How do different stakeholder groups influence an INV's ability to develop marketing capabilities?
2. What types of marketing capabilities emerge from the INV-stakeholder relationship?

METHOD

Following the works of Yin (2003) and Eisenhardt and Martin (2000), this study employs a qualitative case study approach to explore how stakeholders and marketing capabilities interact to enable the firm to align its resource deployments with its market environment. Scholars have argued the applicability of qualitative methods in general (e.g., Gartner and Birley 2002) and qualitative case study designs in particular in studying the formation processes of INVs (e.g., Jones, Coviello, and Tang 2011). The goals of this study were to identify meaningful knowledge to facilitate a holistic study of the processual dynamics of capability-building processes in INVs and to allow for observation of both formal and informal processes (Montealegre 2002), as well as the

underlying logic in the observed firms that quantitative methods fail to expose (Miles and Huberman 1994).

We selected the case study method as the preferred research strategy (Eisenhardt 1989; Yin 2003), using the critical incident technique (CIT) as the primary tool for data collection and analysis (Flanagan 1954). A small number of case studies can be prescribed when the research problem requires rich, deep information; yet doing so can still result in significant findings, provided generalizability is not assumed (Coviello and Jones 2004). We chose a multiple-case design using six case companies as a more robust alternative than a single-case study (Eisenhardt 1989; Yin 2003). Case studies enable richer descriptions of the phenomenon studied in a spatial and temporal context and support analysis of any process set in this context (Yin 2003). We then used the CIT (Flanagan 1954) to develop and extend the narrative quality of the case data and to guarantee a formalized approach for the analysis and interpretation of the data from each case (Ghauri and Firth 2009; Sinkovics, Penz, and Ghauri 2008). According to Evers (2011b), the CIT can be used most effectively with small sample sizes, which suits the number of cases in this study.

Case Selection

The case sampling strategy we used followed the literal replication technique and theoretical replication logic, as Yin (2003) recommends. The key factor underpinning the selection of the six cases was conceptual relevance rather than representative grounds, so we used theoretical sampling (Miles and Huberman 1994). Theoretical sampling occurs when cases chosen are likely to replicate or extend the emergent theory (Eisenhardt 1989). We selected the cases using Miles and Huberman's (1994) four parameters: setting, actors, events, and processes (see Table 1). This sampling technique ensures that cases fit into conceptual categories and also helps enhance the explanatory power of case data (Eisenhardt 1989). The operational definition of the INV used in this study was that each firm began exporting within the first three years of operation and had at least 25% of sales income derived from exporting (Knight and Cavusgil 1996; Oviatt and McDougall 1994).

We chose similar country contexts—small open economies of Ireland, Sweden, and Denmark—to secure comparability in the sample cases and, thus, legitimate claims to external validity with respect to the core findings (Miles and Huberman 1994). Keeping the industry factor constant engenders better focus on our theoretic-

Table 1. Sampling Parameters

Sampling Parameters	Choices
Settings	Highly export-dependent life science companies (born globals)
Actors	Founders/managing directors, stakeholders of company
Events	Events critical for marketing capability creation
Processes	Marketing capabilities in product development, pricing policy, promotion, customer acquisition, and distribution channels

Notes: Adapted from Miles and Huberman (1994).

cal angle (Miles and Huberman 1994). Accordingly, we selected the life sciences sector as the research context, with a specific focus on three European regions: Galway in West Ireland, Halmstad in West Sweden, and Odense in Southern Denmark. Recent research has identified the life science sectors as unique, owing to the many different stakeholders influencing firms in this sector (Stremersch and Van Dyck 2009).

Data Collection and Analysis

Following the principles of data collection that Eisenhardt (1989) and Yin (2003) established, we used multiple sources of evidence to gather the data. We conducted a review of industry reports, other secondary documentation, and the websites of firms and support/research associations. We combined secondary data research and initial field interviews with the representatives from the local industry organizations in each region and selected two INVs from each region to support the deliberations taken with respect to the case sampling. The data collection occurred over a sustained period (2009–2011).

For each of the six case firms, the events data were built on semistructured and open-ended interviews (Eriksson and Kovalainen 2008), with chief executive officers (CEOs)/entrepreneurs, marketing managers, and sales representatives serving as liaisons with customers' overseas support teams. Interviews were recorded and transcribed. The predefined parameters we describe in Table 1 steered the design of the interview guide. The guide covered the company's internationalization and marketing

processes. Questions pertained to the involvement of different stakeholders in these processes. When possible, to reduce bias from single informants, we triangulated the results from different sources to achieve validity (Creswell and Miller 2000). To aid in this task, we analyzed archival data in the form of business magazine reports, annual reports, business plans, and internal documents. We identified respondents who were involved in all aspects of the business and consequently had firsthand knowledge of the firm's strategy, marketing approach, operations, and administration.

For each interview, we coded and analyzed the resulting responses according to emergent themes (Miles and Huberman 1994). During this process, the CIT was the main procedure used for gathering and analyzing the qualitative data. Use of critical incidents provides a good understanding of how dynamic capabilities develop and manifest in the case firms. In this instance, the CIT enabled us to generate rich data and to visualize the empirical evidence (thus extending narrative quality), more than would have been the case if we simply relied on quotations. Furthermore, the CIT focuses on capturing firms' processes through a series of discrete events and is effective for exploring the dynamics of processes and the outcome of the event. Prior research has used the CIT to identify a critical episode rather than an isolated event (Bell, McNaughton, and Young 2003; Cope and Watts 2000). Broadening the focus from discrete incidents to complex episodes enables the researcher to identify and test the criticality of any given incident (Cope and Watts 2000). Therefore, the CIT helps the researcher become intimately familiar with all cases and allows unique patterns of each case to emerge before cross-case comparison (Eisenhardt 1989; Yin 2003). This research design enabled us to go beyond a cross-sectional snapshot of the process, probe how and why things happen as they do, and investigate causality as it actually happens in a particular setting (Miles and Huberman 1994).

CASE PROFILES

We provide the six case profiles next; for a summary, see Table 2. Cases and people are not identified to preserve anonymity.

Irish Case A

Established in 2003 by its majority shareholder and CEO, Irish Case A (ICa) is a specialty medical device

and drug delivery export company located in Galway. The company designs, manufactures, markets, and sells a range of patented drug delivery systems targeted at the critical care respiratory market. Its high-end nebuliser products are used in acute care facilities in 65 countries. ICa employs 40 people in its Irish operation, with an additional 5 salespeople employed globally. It manufactures two core products for its business customers and supplies an own-branded integrated product to six of the largest original equipment manufacturer (OEM) ventilator companies. This accounts for 65% of company revenues. ICa also supplies a "nonintegrated, stand-alone" product to its international distributors, which are located mainly in the United States, Europe, and Japan. This accounts for an additional 30% of revenues. The distributors sell this product to ventilator companies. Finally, ICa sells a home care product for international consumer markets; this accounts for the remainder of sales. ICa has a strong base of distributors that the company's clinical support team also serves to gather clinical intelligence on their product.

Irish Case B

Established in 2007, Irish Case B (ICb) develops leading-edge, minimally invasive medical devices for monitoring, diagnosis, and therapy in endocrinology and gastroenterology. Its core capability and expertise is in the design and manufacture of electromechanical medical devices. ICb's core product is the first of its kind in imaging in gastrosurgery and is used by gastroenterologists and surgeons operating on the esophagus and stomach. Its first product was approved by the U.S. Food and Drug Administration in December 2009 and was launched in the United States, Canada, and Australia in April 2010. The U.S. and European markets account for 50% of product sales. In 2011, ICb acquired distribution agreements with five other distributors in Europe, Japan, and Brazil. ICb received the Overall Medical Technology Excellence Award and the Gold Award for Innovation and Research and Development at the 2009 Irish Medical Device Association Awards Ireland. ICb employs 20 people between its Galway and California offices.

Swedish Case A

Swedish Case A (SCa) was founded in 2006 as a spin-off from a well-established product innovation company with a focus on medtech products. SCa began developing the product in 2004, in collaboration with the local hospital and Halmstad University. SCa employs 26

Table 2. Descriptive Data on Case Firms

	ICa	ICb	SCa	SCb	DCa	DCb
Products	Aerosol drug delivery device	Medical gastro scanner	Medical device diagnostics	Medical equipment prosthesis	Artificial RNA and DNA reactants	Protein analysis services
Year of start-up	2003	2007	2006	1997	2004	2005
Year of first international sale	2004	2007	2006	1997	2004	2005
Number of employees	45	20	26	131	6	6 and 1 part-time
Mode of foreign market entry	Direct sales to customers	Direct sales and agents and U.S. office	Distributors and U.S. sales office	Distributors and Scandinavia and U.S. sales office	Direct sales	Direct sales and U.S. office
Foreign markets	United Kingdom, Europe, United States, Canada, Southeast Asia	United States, United Kingdom, Europe, Brazil, Japan	United States, United Kingdom, Europe	United States, United Kingdom, Europe, Canada, China	United States, Europe, United Kingdom	United States, Europe, United Kingdom
Export sales as percentage of total sales	100%	100%	95%	80%	100%	100%

people, 7 of whom are located at the firm's headquarters in Halmstad and another 19 people who are employed in its manufacturing plant in Malaysia and its subsidiary in the United States. The company develops and manufactures products that monitor blood leakages that can occur during dialysis treatment in hospitals and/or the home setting. In 2012, SCa's turnover was 4 million SEK, 95% of which was generated through exports to 15 countries.

Swedish Case B

Based in Helsingborg in South Sweden, SCb emerged as an export spin-off from an established medical equipment company through a management buyout in 1997. SCb is a family-owned company that serves the orthopedic rehabilitation market. Its manufacturing operations are mainly located in Sweden, Belgium, and Ireland, though some has been outsourced to Asia and China. Its company policy, however, is to try to manufacture more in Sweden because of the threat of designs being copied. In 2011, its turnover was 218 million SEK, and it was

exporting to more than 50 countries. SCb employs 131 employees, 31 of which are employed in the parent company in Sweden, with the remaining 100 employed across its five subsidiaries in Scandinavia, the United States, and its joint venture in Hong Kong. All its product development focuses on patenting product innovations. SCb works with medical professionals throughout world to offer innovative solutions to help improve function and quality of life for people with physical challenges. Its most successful product is its own branded leg prosthesis.

Danish Case A

Established in 2004, DCa's expertise lies in the research and manufacturing of ribonucleic acid (RNA) reagents for molecular and biology analysis. DCa offers RNA agents to research labs interested in using them as reactants in their own research. Although DCa has a small workforce of six people, it has managed to capture a customer portfolio covering most of the world, with most customers in Northern America and Central Europe. The

company was founded on patented knowledge regarding RNA, DNA (deoxyribonucleic acid), and LNA (locked nucleic acid), which gave the two founders a unique global market opportunity. Before establishing DCa, the CEO/founder had held a position of director of the university-based research laboratory, which spawned a handful of more or less successful spin-offs. DCa was created to fill a supply gap that the CEO frequently experienced when attending biotech conferences.

Danish Case B

Established in 2005 by two founders still active in the company, DCb offers standard “off-the-shelf” protein analysis services to public and commercial research labs. With a customer base covering most of Europe and North America, the service includes a 72-hour result guarantee on any analysis request. In 2010, DCb opened an office in Silicon Valley, bringing the number of employees to six, with one part-time administrative staff member. The linkage between DCb and the university milieu has weakened dramatically as a result of a deliberate business strategy to move away from complex analysis of proteins, which it had originally conducted with university researchers, toward more commercialized and standardized services.

CASE FINDINGS

This section organizes case findings under each the stakeholder groups to enable exploration, development, and testing of our conceptual framework in response to our research questions. Tables 3, 4, and 5 capture the role of stakeholders in developing the marketing capabilities of the case firms under our operational definition of marketing capabilities and pertaining to our stakeholder categorization.

Allied Stakeholders: Radical Innovation for New Market Creation

Across the firms, the allied stakeholders that were most influential on the marketing function of the firms were the INV entrepreneur (CEO), employees, and allied external research institutions. These groups have a vested interest in bringing the INVs’ innovation to commercialization (see Table 3). Investors, however, display limited input in terms of the INVs’ marketing strategies because the CEO/founder entrepreneur is the key decision maker for driving the companies forward from inception and leveraging their stakeholder relationships

to create value. As the CEO of ICa explained, “They [investors] leave it up to me.... I know my business.”

As Table 3 shows, for marketing capability development, such allied stakeholders were particularly important in influencing how the firm developed its renewing and regenerative marketing capabilities through interactive exchange of knowledge and expertise with the focal firms, demonstrated through interactive processes of triple-loop and double-loop learning. The marketing influence of allied stakeholders was most pronounced in the marketing of radical innovation and continuous new product development. Significant for all cases was the importance of the differentiated products to create their new ventures in the first place. The nature of their sector granted them patent protection and first-mover advantages, both of which bring commercial, long-term benefits for brand building.

Though less frequently encountered, the case data show that to address unique environmental challenges, allied stakeholders engaged in triple-loop learning to help firms regenerate themselves for new market creation through product innovation and diversification. The case findings show that some firms’ capacity to regenerate marketing capabilities occurred under two conditions: First, early in the company life cycle, two of the case firms became successful internationally when they realized that they needed to change their product focus from what they had originally intended to do. This realization resulted in the creation of a radical innovation developed by the INV and its allied stakeholders. For example, in ICb, the original product idea failed to materialize, and the CEO needed to look for an alternative. This resulted in an innovation developed and commercialized in collaboration with a doctoral researcher in an Irish hospital and a U.S.-based professor in gastromedicine (see Table 3). All actors engaged in triple-loop learning for radical product creation and commercialization. The product launched ICb internationally in a specialized field of innovative medicine. Second, in subsequent stages of international growth, the INVs experienced sporadic periods of highly turbulent changes in markets, technologies, and competition. The allied stakeholders were important in terms of influencing continuous radical innovations to create new niche markets and bring the company to the next level beyond competition by preempting current market needs to sustain its international competitiveness (see Table 3). For example, SCb needed to develop a new product portfolio for new markets. Until 1996, SCb was mainly a distributor of medical

Table 3. Allied Stakeholders in Case Firms

Case	Year and Event	Marketing Capability Category	Stakeholders	Description of Process/Episode	Outcome/Result/Impact
ICa	Prestart 2000–2003: New product to launch new company	Regenerative dynamic marketing capabilities: Radical innovation	Investor partner/OEM	Original idea for product to launch the business (aerosol drug delivery) was a market-driven need identified by CEO.	New product to launch the company. Superior product created new market to address a global market gap.
ICa	2010: Radical product home care market	Regenerative dynamic marketing capabilities: Radical innovation and distribution	In-house research-and-development team and CEO	USB device nebulizer triggered by CEO remarking about increasing demand in consumer mobile device products.	Radical new product for consumer market. First to market.
ICb	Prestart 2005–2007: New product	Regenerative dynamic marketing capabilities: Radical innovation	CEO Hospital research clinician	Original idea for product came from work of doctoral clinician in Dublin Hospital who had been working with world-renowned U.S.-based professor of imaging gastrosystem and had homemade version.	Product to launch the company. Superior, unique product creates new market.
SCa	2005: New product to launch firm	Regenerative dynamic marketing capabilities: Radical innovation	CEO Halmstad University Local hospital Technology suppliers	The problem of needle dislodgement, in hemodialysis, was identified at county hospital. The chief technology officer, together with medical technicians at the hospital, students at the local university, and other contacts (suppliers), used a new technique to solve the identified problem.	Radical new product to launch the company.
SCb	1997: New products to launch new international sales	Regenerative dynamic marketing capabilities: The most important product was developed in 1997	External researchers from university Employees in product development department	Three different pathways can be identified. Internal ideas from the own product department. External innovators who contact the company with their ideas. Problems identified in contacts with different user groups.	New high-tech patented products. New brand is launched. International sales expansion.
DCa	Prestart (late 1990s): University spinout	Renewing dynamic marketing capabilities: New product development	Investor, inventor founders, and lab managers	The original idea was to build on novel research results to supply products for human use. An unanticipated initiative from the original spinout was the development a novel protein analysis procedure, which became a new service offered to customers. DCb was established to exploit this.	New frontline products that are set to create new market.

Table 3. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description of Process/Episode	Outcome/Result/Impact
DCb	2004: Spinout of the now established spinout	Regenerative dynamic marketing capabilities: Radical new service development and distribution	Inventor founders	Having the primary responsibility of the protein analysis procedure, and being the inventors thereof, the inventor founders saw huge developmental potentials in creating a firm solely dedicated to this.	New, fast, and convenient service in protein analysis. First to market.
DCb	2009: Front-line research spawns new product	Renewing dynamic marketing capabilities: Radical products	CEO Key peers	A second generation of the reactants was offered. Their origin came from peer reviews of the research results reached and discussions at conferences attended by the founders.	Tightening relationships with key customers.
DCa	2003–2004: Incubated business start-up	Renewing dynamic marketing capabilities: New innovative products	Inventor and head lab manager (founders)	New products are developed from new research results.	A wider range of reactant samples is offered to create new segments. All in the same family with different abilities.

Table 4. Cooperative Stakeholders

Case	Year and Event	Marketing Capability Category	Stakeholders	Description of Process/Episode	Outcome/Result/Impact
ICa	2005: Retaining own brand in OEM product integration strategy	Renewing dynamic marketing capabilities: Global brand development	OEMs	After tough negotiation by entrepreneur, “the OEMs agreed to allow us to keep our brand logo on their product. Similar to the Intel brand on PCs ... we are only product in hospital that has own name in GE products.” “When their competitors see that, ... they want to integrate our products as well. They sell the razors we follow up with the blades, [that's] our business model.”	Global brand recognition drives pull-demand strategy among end users toward OEM customers. Built global brand with five years of start-up. Brand embodies one of the five key features end-user medical staff want in GE machines.

Table 4. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/ Summary of Episode	Outcome/Result/ Impact
ICa	2004: OEM validation of pricing margins	Renewing dynamic marketing capabilities: Pricing capabilities	OEMs	Senior management of large OEM visited company purely to discuss cutting 65% product margin policy. Founder was determined to keep 65% margin: "So we dined them and then I gave a presentation on our unique product benefits ... before they left not once did they mention price. They thanked us for our hospitality and presentation and said their goodbyes."	Enabled company to keep price policy with OEM to generate 65% gross margins.
ICa	2004: Securing exclusive manufacturer deals with top global component suppliers	Renewing dynamic marketing capabilities: Product quality/materials	Component suppliers	The company invests in suppliers and designs the component it wants made. The founder stated, "There are specialist processes in making our product that we had to teach our suppliers and then ourselves. So those relationships become very strong." The suppliers were globally known for their expertise and base knowledge and capability. The company agreed that it will not manufacture for anyone else in their market.	Exclusive manufacturing agreement with specialized manufacturers that manufacture for company in their market. Locked in relationships for quality supply of specialized components.
ICa	2010: Accessing highly commoditized consumer markets with first world USB nebulizer	Renewing dynamic marketing capabilities: Sales and distribution	Efficacy groups: Charity support group	The founder stated, "With the home care product, which is Red Ocean, very commoditised, we are small ... we needed to partner with major company, to position for volume sales and benefits will be out there." Recently negotiated sales agreements with efficiency group that had knowledge of end users in Canada. Used this group to endorse and act as distribution channel to penetrate Canadian consumer market.	Enabled access to a saturated commoditized market. Secured deal with large efficacy group to endorse marketing and distribution direct to customers in Canada. Market intelligence from efficacy groups in Canada.

Table 4. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/ Summary of Episode	Outcome/Result/ Impact
SCa	2007: Swedish Trade Board promotion	Renewing dynamic marketing capabilities: Promotion, branding, and distribution	The Swedish Trade Agency Congress and trade fairs	The Swedish trade agencies helped find distributors in France and Germany. Other distributors were found through contacts at trade fairs and relationships developed by SCA's sales team.	Sales in Europe and the United States. New distributor agreements established in Europe.
SCb	2008–2011: Accessing the larger markets (United States)	Renewing dynamic marketing capabilities: Sales and distribution	Distributor, sales force, and subsidiaries in the United States	Decentralized sales force, which is encouraged to find own solutions (in line with company education). Bonuses are important primarily in the United States and United Kingdom.	International sales acquired. Sales into the United States, which is the most important market for the firm.
SCb	2009–2011: Institutional sector pricing	Renewing dynamic marketing capabilities: Pricing	Government and insurance companies	Different countries' reimbursement systems affect pricing (e.g., if government, patients, or insurance companies are the primary financiers) Two main pricing strategies are used: one for the premium segment, also including product individually customized for users, and one volume segment sold through retail dealers.	Different pricing strategies.
DCb	2009: Customized novel products	Renewing dynamic marketing capabilities: New product development	Key customers	From key customers' feedback, the inventor founders were in the position to launch customized novel products (services) tailored to customer needs.	The customized products provided the foundation to increase the shelf storage service when they have been finalized.
DCa	2005: Build up to new product platforms	Renewing dynamic marketing capabilities: Incremental innovation of new products	Key customers	Several off-the-shelf products have been developed in-house as a result of need as expressed by key customers.	Greater speed and convenience delivered to customers.
DCa	2005–2006: Bulk production	Renewing dynamic marketing capabilities: Sales and distribution	Existing customers	Following the steady rise of return customers, the production methods are tuned to support bulk production. Production cycle is increased times ten.	The bulk production methods enable a steady and predictive (scheduled) supply of reactants to existing and new customers.

Table 4. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/Summary of Episode	Outcome/Result/Impact
DCa	2000–2003: Intellectual property rights (IPR) negotiation with parent university is brokered successfully	Renewing dynamic marketing capabilities: Incremental product development	Tech transfer (TT) personnel	In the IPR negotiations, the stringent description of the product aided the founders in incremental development of the product.	Legal issues cleared, and further standardization of ordering procedure. An alliance is formed with a key TT officer.
DCb	2004–2006: Customer database grows exponentially	Renewing dynamic marketing capabilities: Incremental innovation of service	Existing customers	The customer database has now grown considerably. The convenience of the analysis has improved, building on customer feedback.	Test result delivery by e-mail within 72 hours. Increase in the number of test runs during the week.

Table 5. Neutral Stakeholders in Case Firms

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/Summary of Episode	Outcome/Result/Impact
ICa	2005–2007: Milan professor creates new opportunity for measles vaccine.	Incremental marketing capabilities: Radical drug delivery for measles vaccine	Opinion leader/academic	University professor in Milan contacted company to work on a collaborative basis on the development of a measles vaccine delivered by aerosol.	New delivery mode for measles vaccine to replace injection in developing countries.
ICa	2006–2007: Strasbourg professor creates new platform for case company product.	Incremental marketing capabilities: Radical drug delivery for referred pain relief in laparoscopic surgery	Opinion leaders/academic	Professor of Anesthesiology in Strasbourg contacted company, asking for sample products he had seen in the intensive care unit for drug delivery on patients for day-to-day care. He wanted to use these in his laparoscopic surgery. After conducting animal studies, he came back a year later and achieved great results for pain relief post-surgery. Company customized for patient trials in Strasbourg, Manchester, and Milan. Trials were successful.	New product for pain relief in laparoscopic surgery.

Table 5. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/Summary of Episode	Outcome/Result/Impact
ICa	2007: Academic publications endorsing product	Incremental marketing capabilities: Promotional capability	Opinion leaders in science field	Company supplied academic medical scientists in North America with clinical trial new product. Publications in peer-reviewed journals resulted on core product as unique drug delivery method.	Global endorsement of key opinion leaders created pull demand among end users in medical organizations.
ICb	2008: Academic publications endorsing product	Incremental marketing capabilities: Sales and marketing communications and product endorsement	Key opinion leaders	The founder stated, “The important marketing tool is scientific clinical publications. If nothing else ... these are users and opinion leaders ... they are the early adopters ... they are not great customers, they want stuff for free ... a lot get given stuff so they write papers about it.... It does take time; building momentum is building papers.”	Product acceptance globally through academic publications.
ICb	2011: Trade support agency markets product to Brazil and Japan	Incremental marketing capabilities: Sales and distribution	Enterprise Ireland (government agency)	The Enterprise Ireland event “made in Ireland” brought distributors around the world to meet Medtech companies. The founder stated, “I think I have agreed to have Brazil distributor start next week and also Japanese distribution partnership. Trade missions [are a] great idea; important element of mix.”	Sales and entry into Japan and Brazil.
ICb	2007: Opinion leaders	Incremental marketing capabilities: Promotional capability	Opinion leaders in science field	Company supplied academic medical scientists in North America with clinical trial new product. Publications in peer-reviewed journals resulted on core product as unique drug delivery method.	Entry into U.S. market.
ICb	2008– 2009: Clinical group for market acceptance	Incremental marketing capabilities: Sales and distribution	Clinicians	The founder stated, “Distribution [customers] is just a channel, not promotion or building market; we have to build a message through clinical evidence and publications.... It’s a tacit product and surgeons want to try it first so need peer validation.”	Stronger distribution links. Credibility created for acquiring global distributor.

Table 5. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/Summary of Episode	Outcome/Result/Impact
ICb	2011: Secured exclusive distribution deals in six states	Incremental marketing capabilities: Sales and distribution	U.S. Medical Devices Association	Company originally relied on one salesperson to sell product in United States, but in 2011, the company extended this approach to focus on key distributors and secured agreements through the American Medical Devices Association. The founder explained: "For \$250 the AMDA will put out a request for interest for us to all members ... out of that we have 15 established distributors."	Stronger distribution network in the United States.
SCa	2007–2008	Incremental marketing capabilities: Incremental product development	Hospital in Scotland Nurses	A new plastic was used to wash the medical device with ethanol, and shelves were developed for storing the device when they were not used.	A market-adapted device was developed. Deeper relationships with existing international customers were developed.
SCa	2008–2010: Clinical testing	Incremental marketing capabilities: Product endorsement and promotions	CEO, marketing manager, and key opinion leaders (internationally famous researchers) Medical staff	Clinical trials led to CEO and Food and Drug Administration clearance. Key opinion leaders and organizations were contacted. Guidelines for using the product were developed.	Sales resulted in Europe and the United States.
SCa	2007–2008: Malaysian relocation	Incremental marketing capabilities: Pricing	Production facilities in Malaysia/ insurance companies/ governmental actors	Low price is critical because of importance of reimbursement from governments or insurance companies. The company searched for suppliers in both Europe and Asia but did not find suitable ones. Instead, they started their own product facilities in Malaysia.	Production facilities in Malaysia.
SCa	2000: Ongoing	Incremental marketing capabilities: Incremental product development	Users (medics) Distributors	Contacts with users and doctors were essential for the ongoing incremental product development.	Products are continuously developed to fit new target groups.
SCb	Exhibition and trade fairs	Incremental marketing capabilities: Marketing planning	Prospective distributors at shows	The industry and different stakeholders were well known, and thus there was no need for new expansive market research activities.	Strengthening of networks and commercial credibility.

Table 5. Continued

Case	Year and Event	Marketing Capability Category	Stakeholders	Description/Summary of Episode	Outcome/Result/Impact
DCa	Early 2000s: Academic publications endorsing product	Incremental marketing capabilities: Promotional capability	Researchers in the associated field	The standardized product was accepted as reference point in many top peer-reviewed scientific publications.	Endorsement creates a pull demand for the standard service among peer researchers in both commercial and noncommercial research labs.
DCa	Late 1990s: Academic publication endorsement	Incremental marketing capabilities: Promotional capability	Researchers in the associated field	The novel “products” are accepted in academic circles and major journals as reactants of the highest quality.	Peer endorsement increases the demand for the reactants.
DCa	1999–2000: Commercialization	Incremental marketing capabilities: Incremental product development	Peers (customers)	The renowned professor and his head lab manager saw a fertile way to fund research by selling reactants rather than giving them away.	Standardization of the sample package was commercialized. A formalized ordering system was developed.

devices produced by others. In 1997, dramatic change in the organizational context required the firm to restructure, refocus, and diversify to develop its own new products mainly targeted for exporting. Thus, the CEO needed to leverage external researchers for innovation and reorganize with the firm’s own patented and branded products. Furthermore, SCb regenerated its capabilities to align itself strategically to international markets.

Our findings, however, show that a firm’s ability to renew marketing capabilities can manifest through double-loop learning when the CEO/entrepreneur is the key stakeholder in the learning process. The findings show that many of the dynamic capabilities were instigated most frequently by the INV entrepreneur and developed through engagement with employees. For example, in the case of ICa, the CEO/entrepreneur’s technology expertise, inventive ingenuity, and forward thinking were all instrumental in supporting research-and-development staff to develop radical products, thus creating a new market for its products.

In terms of identifying radical ideas for new market creation, the conventional research strategy for understanding market needs and intelligence through customer and competition stakeholders, or what we refer to as cooperative stakeholders, had limited value for the six case firms. Key innovative product ideas were sourced through the CEO/entrepreneur, employees, and research institutions.

Cooperative Stakeholders: Distribution, Pricing, and Branding Capabilities

As Table 4 shows, cooperative stakeholders were the most influential in developing the firms’ marketing capabilities in international distribution, pricing decisions, and brand building. Cooperative stakeholders emerge typically as supply chain partners, such as direct customer-OEMs, customer-distributors, and suppliers. In both sets of Irish and Swedish cases, the role of the national industrial export development agencies was influential in developing sales operations and accessing new customers in new markets, as well as in reducing

firms' liabilities of newness and foreignness by endorsing the firms' reputations on entry into new foreign markets.

These capabilities emerged through interorganizational learning and double-loop processes between cooperative stakeholders and the firm. Such collaborations strengthened the focal firms' ability to renew their dynamic capabilities in developing and implementing aspects of their international marketing strategies. Actions included relationship building, foreign market planning, and development of firms' capabilities to provide effective pricing strategies by leveraging knowledge of supply chain partners by gauging price levels before setting their own prices in the market.

Double-loop learning with cooperative stakeholders occurred more frequently under market conditions typical of high-tech sectors, such as intensive competition, cost constraints, and rapid technological and short product life cycles. The firms' relationships with foreign-based distributors helped them secure sales and distribution channels in overseas markets. For example, SCb's corporate goal was to have its own subsidiaries in large markets. The CEO/entrepreneur achieved this by building a relationship with the firm's German distributor, which led to the creation of a subsidiary in Germany. This was also the case with DCb, which established a new office in Silicon Valley to secure close connection with key customers, leading to incremental innovation of its protein analysis.

However, for sourcing intelligence for new customer needs and acquisition, cooperative stakeholders, which form the dominant direct customers for the focal firms, emerged as less influential than their allied counterparts. As the CEO of ICa reported of the firm's most important direct business customers (the OEMs and foreign-based distributors), "OEMs sell product into hospitals.... If we listen to them that would bring us nowhere ... we are an accessory base to their product.... Their insight is limited in our technology, we meet regularly, talking about supply.... The market [OEMs and distributors] wouldn't tell you what you want."

In the case of ICa, the CEO's initiation of a relationship with an efficacy group (for asthma sufferers in Canada) led to the latter becoming the distributor for ICa's new consumer market product. This relationship enabled ICa to access highly commoditized consumer markets with a first-to-world USB device nebulizer. The ICa CEO described the importance of this stakeholder: "With the

home care product, which is Red Ocean,¹ very commoditized, we are small ... we needed to partner with major company, to position for volume sales, and benefits will be out there." The efficacy group had a solid understanding of end-user needs in Canada. ICa has secured a deal with this large efficacy group to endorse marketing and distribution to penetrate the consumer market (see Table 4).

However, the cooperative-type customer stakeholder tends to challenge the focal firms informally in terms of pricing decisions. Such challenges created a valid pretesting ground for the firms to develop and strengthen their negotiation skills in areas of pricing policies. The cooperative downstream (OEM and distributor) stakeholders equally served as a market-testing platform to relay vital downstream feedback from direct customers, which sold directly to end-user markets. This enabled the firms to renew their capabilities and resource base and to assess costs of product manufacturing and operations.

Furthermore, having a strong international customer portfolio of heavyweight OEMs helped case firms in two ways. First, international buyer endorsement strengthened brand equity by default. Second, experience was easily transferred to the case firms by working with OEM customers in marketing and distribution operations. This experience supported the case firms in the design and implementation of their own international marketing strategies.

Neutral Stakeholders: Incremental Innovations and Promotional Capabilities

The key neutral stakeholders of the studied case firms were influential in how the INVs developed incremental dynamic capabilities to improve product development and promotional strategies. In the studied research context, these stakeholders were hospital medical staff and key opinion leaders in research and industry associations. The case firms leveraged and depended heavily on end users such as doctors and nurses as a source of intelligence to adapt and modify their product in response to current market needs. Firms actively responded to the marketplace by using a market-oriented customer listening and response approach in a single-loop-learning process.

As the CEO of ICa explained, "If we listen to customers, what you'll do is hear what customers think, what they want right now, which is basically the next incremental

step in a product.” He added, “Health care allows us to improve existing products, but doesn’t lead us to game changing, which is part of our Blue Ocean strategy.”² Thus, for radical new product development and to gain first-mover advantage, the firms did not rely on end customers. In sectors requiring continuous and rapid innovations, the case firms adopted a preemptive approach to gauge future market needs. They opted to examine what the market needed and thus partnered with allied groups to develop such capabilities to deliver radical new product inventions.

Certain neutral stakeholders also assumed an important role in how the case firms built their marketing capabilities in international promotional and product endorsement. For example, key opinion leaders in the medical and surgical fields were important for global acceptance of case firms’ products among medical end-user markets. Furthermore, they formed a vital ingredient in promoting and communicating case firms’ products to large end-user markets to create a pull-driven market demand, through supply chain partners of OEMs and distributors.

For example, academic publishing has been crucial in endorsing firm reputation. The CEO of ICb stated, “Distribution [customers] is just a channel, not promotion or building market, [so] we have to build a message through clinical evidence and publications.... It is a tacit product and surgeons want to try it first, so need peer validation. If you have good clinical evidence everything else follows from that.” The ICb CEO added, “Our brand is internationally known. What helps are academics who write papers about the technology therapy in published works.... Endorsement through publications of our branded technology is critical to create pull-driven demand from ventilator companies.”

SCa’s CEO explained that what was “critical for our sales is that well-known researchers and experts write in scientific journals and talk of our product in scientific conferences.” This was echoed in both Danish cases (see Table 5). The founders of DCb argued that they experienced a doubling in the demand for their services following a high-impact publication that used their service. The CEO of DCa commented, “We would use these [academic] papers as a key plank in our marketing strategy; there is nothing as important ... the first thing you will be asked is, ‘Where can I read about this?’”

Building promotional and product endorsement was incremental but critically important for the case firms.

They managed this by leveraging promotional endorsements from key opinion leaders in areas the firms wished to market their innovations on a global scale.

Entrepreneur Stakeholder: Proactive Networking and Relationship Leveraging

All case firms treated the entrepreneur/founder as the central force in developing and leveraging stakeholder relationships to manifest marketing capabilities for international competitive advantage. The findings show that firms’ capacity to develop incremental, renewing, and regenerative capabilities in product development, distribution, promotion, and pricing was influenced by stakeholders both inside and outside the firms. The INV entrepreneurs orchestrated these relationships to create value for their firms. Technological innovation in a stand-alone product/service was not sufficient; the entrepreneurs also needed to create a demand for these products by leveraging stakeholder relationships to market their innovation internationally and to implement tactical marketing activities of distribution, pricing, and promotion. Firms consisted of entrepreneurs with a constellation of complementary competencies and capabilities. In DCa, the head lab technician prioritized her time on relationship management to create a marketable product from the novel research results produced by the CEO. She acknowledged her proactive behavior in developing new networks and leveraging these as follows: “When I started I did not have any connection in the dialysis world. However, [a local medical doctor] helped me to get in touch with important key-opinion leaders.”

Each case CEO recognized that being internationally connected and proactively leveraging expertise, knowledge, and resources of stakeholders were vital activities for developing their firms’ marketing capabilities. That is, it 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.

DISCUSSION

This article extends dynamic capabilities theory to explain how INVs develop marketing capabilities to

acquire and sustain international competitiveness. In response to the research questions posed herein, we discuss the findings in the context of literature and present a model (Figure 1) with supporting propositions that show how different categories of stakeholders can help firms develop dynamic marketing capabilities. In line with calls (Chandra, Styles, and Wilkinson 2012; Zahra 2005) for research to investigate dynamic learning processes, Figure 1 offers a process-oriented model to illustrate how INVs proactively leverage stakeholders both inside and outside the firm to develop different types of dynamic capabilities in marketing-related activities.

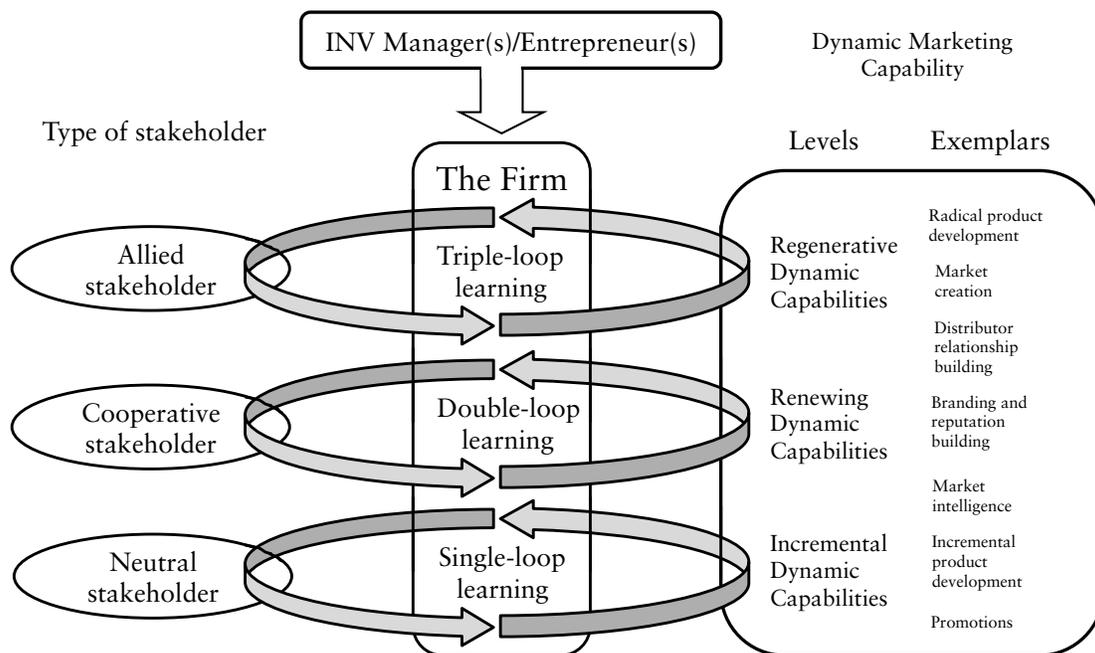
The circular arrow flow in Figure 1 illustrates this creative push in the firm. The model depicts how allied stakeholders engage in both double- and triple-loop learning to influence the renewing and regenerative marketing capabilities of INVs, such as new product development and market creation (top-looping arrow). Cooperative stakeholders engage in double-loop learning (middle-looping arrow) to influence renewing capabilities pertaining to tactical activities, such as leveraging of partner and distributor relationships, price negotiations, and brand building. Neutral stakeholders

have the most impact on firms' ability to stimulate the development of incremental capabilities, such as acquisition of market intelligence and incremental product development, in a single-loop-learning feedback process (bottom-looping arrow) in response to end-user stakeholder needs.

Allied stakeholders are both actors in the firm (e.g., employees, CEOs/founders) and certain external actors with specific research interest in the innovation (i.e., intellectual property-owning research institutions). Our findings elucidate that allied stakeholders engage in triple-loop learning to deliver regenerative dynamic capabilities and double-loop learning to renew capabilities of the INV (Ambrosini, Bowman, and Collier 2009). Accordingly, these stakeholders are important in the initial and subsequent stages of INV life cycles in developing radical new products and in creating new markets to bring the company to the next level beyond competition and current market needs.

Thus, we find that behavior that correlates with “effectuation logic” is instrumental in forming or “quilting together” new radical products/services in uncertain environments (Sarasvathy 2003). In line with this argument,

Figure 1. Stakeholder Influence on INV Dynamic Marketing Capability Development



new partnerships and commitment from allied stakeholders reduce uncertainty and pave the way for a process of continuously upgrading products or services (Sarasvathy 2004). In effect, the quilt or the product becomes an enactment of the allied stakeholders and their commitments (Sarasvathy and Dew 2005).

Building on the empirical findings, we find that allied stakeholders play an important part in facilitating relearning processes for capability renewal and, when external conditions dictate, for regeneration itself. Therefore, we propose the following:

P₁: Allied stakeholders that engage in triple-loop learning influence how the INV develops its regenerative marketing capabilities for creating international first-mover advantage.

P₂: Allied stakeholders that engage in double-loop learning influence how the INV develops its renewing marketing capabilities for sustaining international competitive advantage.

Cooperative stakeholders emerge as both supply chain partners, such as OEMs, suppliers, and distributors, and horizontal partners, such as state export development agencies (O’Gorman and Evers 2011). Our findings show that cooperative stakeholders typically engage in double-loop learning and can influence the firm’s ability to renew its capabilities in dynamic international market environments (Ambrosini, Bowman, and Collier 2009). Accordingly, the ability to “purposefully modify” the firm’s resources is connected with the learning process involved in interaction with cooperative stakeholders. We find that cooperative stakeholders are important actors in renewing marketing capabilities in the distribution, pricing, and branding strategies of the INV (see Figure 1). However, although this role is important, such interrelationships do not extend to regenerative capabilities that occur in triple-loop learning experienced in the interaction with allied stakeholders. Therefore, we propose the following:

P₃: Cooperative stakeholders that engage in double-loop learning influence how INVs renew their tactical marketing capabilities for sustaining international competitive advantage.

Neutral stakeholders are product end users and key opinion leaders in the industry sector. These stakeholders included hospital medical staff that used products in service delivery. We found that this group was critically

important for providing market intelligence about current product offerings and customer service delivery for improved market offerings.

Our findings suggest that neutral end-user stakeholders are instrumental for single-loop learning and development of incremental capability development (Ambrosini, Bowman, and Collier 2009), exemplified through incremental product development, which leads to product extensions and modifications. Innovations were not aligned with direct customers, such as OEMs or distributors, as these cooperative stakeholders respond only to their own buyers (end users). Such a process strengthened a pull-market approach, channeled upward through foreign distributors and OEMs and then downward to case firms, fuelling greater demand for their products.

In addition, key opinion leaders emerged as international promoters and endorsers of the INVs. These were the most important stakeholders for influencing end-user adoption (i.e., hospitals and health care professionals). The case firms were highly dependent on key opinion leaders and academic publications for communicating, promoting, and endorsing their products on an international scale. Our findings strengthen the importance of influential doctors engaged in industry to advise on marketing and help boost sales of new medicines (Moynihan 2008).

P₄: Neutral stakeholders that engage in single-loop learning influence how INVs develop incremental tactical marketing capabilities for sustaining international competitive advantage.

Entrepreneur stakeholders worked proactively with stakeholders both inside and outside the focal firms to develop marketing capabilities for international development and growth. The INV entrepreneurs used different types of networks in different stages of development and for different purposes (Vasilchenko and Morrish 2011). To overcome liabilities of smallness and foreignness (McDougall and Oviatt 1996), our research further supports the view that entrepreneurs’ networking capabilities are essential to orchestrate value-creating processes and mobilize needed resources from stakeholders (Evers 2011b; Zucchella, Palamara, and Denicolai 2007).

The process we identified in this study connects with the effectuation process that Sarasvathy (2001) advocates. Entrepreneurs use their own capabilities or leverage

their resources to cocreate value from different stakeholders. This further supports the view that entrepreneurs can help the organization through capability reconfiguration (Evers 2011b; Montealegre 2002). Close working relationships with allied stakeholders are important in market conditions in which firms are exposed to rapid technological developments driving shorter product life cycles and when innovation is radical for new market creation. These relationships can motivate the firm to assess its resources and try to regenerate its capabilities through triple-loop learning (see Figure 1). Our study shows that engaging in triple-loop learning not only furthers radical innovation and new product development processes but also entails market creation as interdependencies are set in motion to tackle high levels of uncertainty. These findings suggest that effectuation theory is indeed a relevant approach to analyze the processes in INVs (Andersson 2011; Evers and O’Gorman 2011).

Griffith and Harvey (2001, p. 598) argue the importance of “(1) developing systemic global coherence while recognizing the unique features of each country’s environment to facilitate customization of individual country strategies and (2) adaptation, integration and reconfiguring of internal and external assets to match opportunities in the global marketplace.” Our research supports this view and further posits that in the case of internationalizing and entrepreneur-led firms, it is the entrepreneur who undertakes the process of leveraging the firm’s relationships with allied, cooperative, and neutral stakeholders, which in turn enable the firm to coordinate its interorganizational activities and respond rapidly and in a flexible manner to global competitors’ strategies. Therefore, we propose the following:

P₅: The INV entrepreneur stakeholder is integral for developing, managing, and leveraging stakeholder relationships to build dynamic marketing capabilities for international competitive advantage.

IMPLICATIONS AND CONCLUSION

This study contributes to the strategic domain of international entrepreneurship research by focusing on the marketing functions of INVs. The study of INVs is theoretically a young discipline, and thus this article makes several inroads in advancing knowledge on INVs in particular and on dynamic capabilities theory in general.

This research highlights the usefulness of integrating dynamic capability theory (Ambrosini, Bowman, and Collier 2009; Eisenhardt and Martin 2000), learning theory (Zollo and Winter 2002), and stakeholder theory (Freeman 1984; Polonsky 1996) to understand how INVs develop marketing capabilities.

Most studies on dynamic capabilities have used quantitative “snapshot” research designs to track capability building (e.g., Kemper, Engelen, and Brettel 2011). In contrast, this study captures how dynamic capabilities are developing over time by using a qualitative method in a cross-country context. Our theoretical model and supporting propositions show a more fine-grained approach that describes how different categories of stakeholders are involved in developing different categories of dynamic marketing capabilities and thus can be used to further empirical examination in other industry sectors. This study presents a deeper empirical understanding of the hierarchical levels of dynamic capabilities (Ambrosini, Bowman, and Collier 2009) and calls for more qualitative studies to advance the dynamic capabilities theory of the firm.

In line with effectuation logic, the role of the entrepreneur emerges as crucial in managing and leveraging stakeholder relationships so that marketing capability processes can materialize for the INV. Further research examining INV processes through the lens of effectuation (Sarasvathy 2001) and paying particular attention to the nature of outcomes that can accrue to firms emulating this behavior would be worthwhile.

Further investigation into the underexplored phenomenon of neutral stakeholders would also be useful. In our cases, key opinion leaders were crucial in influencing the strategic promotional activities of firms operating in the highly globalized science and medical fields. Our study also reinforces the recent views of previous research (e.g., Ferrell et al. 2010), which indicates that firms need to go beyond being purely market oriented to adopting a stakeholder perspective when developing marketing policies and strategies.

For managers, a stakeholder selection strategy should be undertaken to develop specific capabilities in the firm. Furthermore, this study emphasizes that biases can occur toward specific stakeholder relationships and that efforts can be wasted for typically resource-tight INVs. In parallel, insights into how some stakeholders can obstruct marketing capability building processes would offer a noteworthy avenue for further research.

NOTES

1. Blue Ocean is about creating uncontested market space. According to Kim and Mauborgne (2005, p. 1), “Too many companies are swimming in a Red ocean of bloody competition where there is limited real growth.”
2. See endnote 1.

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