



Kaunas University of Technology

School of Economics and Business

Allocation of Effectual Decision-Making in Born Globals: The Case of Pandadoc

Master's Final Degree Project

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Summary

The studied born global firm Pandadoc applied effectual decision-making logic at the stage with the earliest employees. With the introduction of the first organisational structure at early company's stage, pure effectual decision-making was replaced with combinatory decision-making logic (where combinations differed in different levels in the organisational structure), which largely remained stable in the early and late stage of the company.

The decision-making logic at the top management's level (concurrent combination of causation and effectuation) remained fairly consistent in the transition from early to late stage, which allowed Pandadoc to better to lead creative teams, which require both causal and effectual decision-making in management style. Another logic Pandadoc applies is the recursive combination of causation and effectuation to conduct changes in the organisational structure to respond to the changing external or internal environment. The lower level of product management applied concurrent combination of logics without changes from early to late stage of the company.

What notably changed at the late stage of the company, as opposed to the early stage, was the logic at the lowest level, the engineers' level. The three types of early-stage logics (causal, effectual, planning effectuator), at the engineers' level, were narrowed down to only one, the planning effectuator logic, which, we argue, was made to achieve greater resource efficiency. This research, however, spotted a problem of lack of autonomy for creative people under the planning effectuator logic. Thus, this research suggests for born global firms managing creative teams to use two logic types at the engineers' level: the planning effectuator logic, and effectuation.

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Santrauka

Tirtoji gimusi globali įmonė „Pandadoc“ taikė efektyvią sprendimų priėmimo logiką etape su pirmaisiais darbuotojais. Ankstyvoje įmonės stadijoje įvedus pirmąją organizacinę struktūrą, grynas efektyvus sprendimų priėmimas buvo pakeistas kombinuota sprendimų priėmimo logika (kur skyrėsi deriniai skirtingais organizacinės struktūros lygiais), kuri kompanijos ankstyvuojų ir vėlyvuojų etapais iš esmės išliko stabili.

Aukščiausiosios vadovybės sprendimų priėmimo logika (tuo pačiu priežastinių ryšių ir pasekmių derinys) perėjime nuo ankstyvosios prie vėlyvosios stadijos išliko gana nuosekli, o tai leido „Pandadoc“ geriau vadovauti kūrybinėms komandoms, kurioms reikalingas tiek priežastinis, tiek efektyvus sprendimų priėmimo valdymo stilius. Kita logika, kurią taiko „Pandadoc“, yra rekursyvus priežasčių ir pasekmių derinys organizacinės struktūros pokyčiams atlikti, reaguojant į besikeičiančią išorinę ar vidinę aplinką.

Žemesniame produkto valdymo lygyje buvo taikomas kartu naudojamas logikos derinys nekintantis nuo ankstyvos iki vėlyvos įmonės stadijos. Vėlyvoje įmonės stadijoje, priešingai nei ankstyvojoje, pastebimai pasikeitė logika žemiausiu, inžineriniu lygiu. Inžinerinio lygmens trys ankstyvosios stadijos logikos tipai (priežastinis, efektinis, planavimo vykdytojas) buvo susiaurinti iki vieno: planavimo vykdytojo logika, kuri, kaip teigiama, buvo sukurta siekiant didesnio išteklių naudojimo efektyvumo. Tačiau šiame tyrime pastebėta kūrybingų žmonių savarankiškumo stokos problema pagal planavimo vykdytojo logiką. Taigi šis tyrimas siūlo gimusioms globalioms įmonėms, valdančioms kūrybines komandas, inžinerijos lygmenyje naudoti du logikos tipus: planavimo vykdytojo logiką ir vykdymą.

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List of abbreviations and terms

Abbreviations:

BG – bon global firm;

INV – international new venture;

SME – small- medium-sized enterprise;

IE – international entrepreneurship;

Terms:

Born global – small, technology-oriented companies that operate in international markets from the earliest days of their establishment.

Effectuation – entrepreneurial heuristics which expert entrepreneurs have applied in the uncertain contexts of creating new products, new companies, or new markets.

International entrepreneurship (IE) – the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services.

INV – a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.

Introduction

Born global firms, having first appeared in the 1990s (Cavusgil and Knight, 1994) in the new social and technological conditions conducive for global trade and communication (Rialp, Rialp, Knight, 2005), were found to be distinct in their ability to enter many foreign markets in a short period of time. Born globals were often found to internationalise through the creation of alliances with local networks (Andersson, 2011), which enabled them a fast entry in foreign markets. This behaviour of engagement in alliances and partnerships has been found to be application of effectual logic in situations of uncertainty (Gabrielsson and Gabrielsson, 2013; Andersson, 2011; Sarasvathy et al., 2014), hence, decision-making in born-globals may be examined through the framework of effectuation theory (Sarasvathy, 2001; Numella et al. 2014). Applying effectual logic, entrepreneurs tend to avoid the process of setting goals; they rather examine what existent means they have and try to come up with creative ways to which ends these means can be applied. The contrary causal logic implies setting goals and then finding means to achieve these goals. Born globals' entrepreneurs leverage their own means and resources, but even predominantly, foreign networks' resources (Gabrielsson and Gabrielsson, 2013), which helps them enter foreign markets through these networks easier overcoming their resource-constraints, validating and improving their business idea and mitigating internationalisation risks. However, as was found by Numella et al. (2014), the decision-making of born global firms uses both effectuation and causation logic, which, in general terms, drifts over time more to causation, but may also be alternating based on unexpected events, which change the degree of uncertainty in the market, in technology, etc. The higher degree of uncertainty triggers effectuation logic.

The process of internationalisation is, in general, a risky endeavour (Johanson and Vahlne, 1977), but born globals have an even higher risk propensity and as a result higher mortality rate (Autio, Sapienza, Almeida, 2000) as compared to their more risk-averse counterparts. Born global firms are under considerable time pressures when they make decisions having a limited window of opportunity in the rapid process of internationalisation and resource constraints, which triggers effectuation-based logic (Gabrielsson and Gabrielsson 2013). As Smolka et al. (2018) and some other researchers show that companies apply combinations of effectual and causal logics.

In most research on born globals, the key decision-maker researched was the entrepreneur (CEO, founder, etc.), because s/he is responsible for key decisions (Nummela et al., 2014; Andersson, 2011), whereas the firm's entrepreneurial activities depend on employees (Tang et al., 2014). As a startup starts to grow and hire new employees, many entrepreneurs fail to adapt decision-making to the growth of the firm (Dobbs and Hamilton, 2007). This makes inclusion of employees in research on born global firms important.

Effectuation theory, at large, has also glossed over the topic of employees. Werhahn et al. (2015) only fairly recently developed an effectuation measurement scale, which measures effectuation in employees. Research shows that both types of logics is applied in firms (Smolka et al., 2018) and effectuation helps in innovation and experiments (Berends et al., 2014), while causation sharpens strategic vision (Frese and Gielnik, 2014; Reymen et al., 2015) or helps to secure financial investments.

Given that born globals are entrepreneurial firms which need to be innovative and grow rapidly, we may expect that born globals may use a combination of both types of decision-making: effectuation

for experimentation and innovation processes, and causation for establishing company's ambition for growth or securing investment.

At early stage of the company leading subordinates may not be necessary for the leader of the firm, but as the firm grows, leadership style and management processes become to be important, and some leaders may even fail in this transition moment (Dobbs and Hamilton, 2007).

The knowledge gap that was established is the following: we do not know what are the patterns of allocation of effectual and causal logic among entrepreneurs and early and later employees in born globals.

The research question was then formulated.

The research question is: How effectual decisions are allocated between entrepreneurs and employees at the earliest and later stages in born global firms?

The main aim of this research is to shed light on how effectuation and causation logics are allocated in born global firms at the level of entrepreneurs and early and late employees.

Hence, this research:

- Conducts problem analysis in the topic of internationalisation, born global firms and effectuation theory;
- Analyses the previously found combinations of effectuation and causation in firms;
- Conducts an empirical research in one born global firm;
- Describes the company's allocation of effectuation/causation at early and later stage of the firm;
- Provides analytical generalisations on effectuation allocation in born global firms between the entrepreneurs and employees.

To understand the details in their complexity we opt for qualitative research (Miles, Huberman, and Saldaña, 2014), a single-case study (Cresswell, 2013) in the Belarusian born global firm Pandadoc, which sells a SaaS product. A semi-structured interview with the founder of the company and an engineer was carried out.

1. Problem analysis

1.1. Internationalisation

Problem analysis of internationalisation first explores linear internationalisation models, which were developed since 1970s, then segueing to the analysis of non-linear internationalisation models, which were developed since early 1990s.

1.1.1. Linear internationalisation models

In the broadest sense, internationalisation is the process of outward movement in an individual firm's or larger grouping's international operations (Welch and Luostarinen, 1988). More specifically, internationalisation is "the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments" (Calof and Beamish, 1995). The early research into internationalisation in the 1960-70s started out with exploring foreign investment of US multinational enterprises, which resulted in development of theory of internationalisation by Buckley and Casson (1976).

It was only with the research conducted on Nordic-based firms in the 1970s when internationalisation process started to be studied as actual expansion activity into foreign markets (Welch and Luostarinen, 1988). This early research in internationalisation led to understanding international development of companies as a sequential process of several stages (in the Uppsala model: 1. no exporting, 2. exporting via an agent, 3. sales subsidiary, 4. production subsidiary (Johanson and Vahlne, 1977; Luostarinen, 1977) or in the Innovation model: 1. domestic stage, 2. pre-export, 3. experimental involvement, 4. active involvement, 5. committed involvement (Cavusgil, 1980)), in which a company seeking to reduce risk and uncertainty "makes incremental rather than total commitments for taking advantage of export market opportunities" (Cavusgil, 1984, p. 196) (export means "marketing and distribution of home-produced products overseas" (Jones, 1999)). Incrementalism allowed firms to keep risk-taking at a low level during the adjustment to the environment with many unknowns (Johanson and Vahlne, 1977). Incremental internationalisation was used not only by large firms, but by small firms, too, which conventionally are resource-constrained (Bilkey and Tesar, 1977).

According to the evolutionary approach, the company, which at start lacks knowledge and experience in a foreign market, needs to gradually develop it through actual operation abroad. The reason why the firm cannot significantly pass by the gradual knowledge development is that a firm requires two types of knowledge in the internationalisation process: firm knowledge and market knowledge (Johanson and Vahlne, 1977). Market knowledge is either developed through the company's own resources or acquired through hiring a person with a particular market experience or buying a company in that market (Johanson and Vahlne, 1977). Market knowledge can be thus shortcut to some degree by taking on experienced people to the firm, but the firm's general knowledge of the internationalisation process should be earned via experience. According to the evolutionary approach, with the gained experiential knowledge, management increases expectations from the market, develops more rational policies and better organisational procedures; and gradually firms move towards higher degrees of commitment to foreign markets (Cavusgil, 1980; Cavusgil, 1984). Commitment means the investment of many resources into different areas of operation in the market (Johanson and Vahlne, 1977). The level of involvement in a market increases when the company's risks and uncertainties decrease (Johanson and Vahlne, 1977; Cavusgil, 1984).

Mostly, early research studied the process of internationalisation in big multinational enterprises. They drew the attention of researchers due to strong power those companies wielded (Oviatt and McDougall (1994); Chetty and Campbell-Hunt, 2004). Cavusgil (1984) found that more committed exporters were companies likely to have annual sales over \$100 million, whereas firms merely experimenting with exports were more likely to have annual sales less than \$10 million. Big size of firms served to help manage international communication and transportation at that time. And when Luostarinen in 1976 studied three-quarters of Finnish industrial companies with foreign operations (Welch and Luostarinen, 1988), they found sequential stepwise internationalisation most widespread in firms.

In the late 1970s and 1980s, academic research started showing a trend of companies leapfrogging intermediate steps to foreign direct investment and shortening the time between stages (Hedlund and Kverneland, 1985). In the 1980s, due to changes in the international business environment (e.g. the rise of oligopolistic competition, equalisation of many markets) and firms' abilities to manage complex international operations better, firms started to change their growth strategies towards more direct and rapid entry modes (Hedlund and Kverneland, 1985). Firms were found to speed up the process and by-pass certain steps (Welch and Luostarinen, 1988): many would go directly from exporting via an agent to establishing production subsidiary abroad, thus skipping the step of sales subsidiary, as was suggested by the stage-based evolutionary theory, because firms have mechanisms of learning about the market other than by establishing a sales subsidiary (Hedlund and Kverneland, 1985).

Reid's (1983) resource-based view contrasted with evolutionary model. By Reid, internationalisation was firm's strategic choice where firm chooses export behaviour and channel structure based on transaction cost and the firm's slack resources. He provided a model of eight export modes influenced by transaction costs (e.g., frequency, volume, diversity, value) and slack resources (managerial, financial, production). In his view, the stages-based model was too mechanistic and failed to explain for all the variety of choices of export modes made by firms.

Research of the 1980s (Mamis, 1989; Brokaw, 1990), and especially 1990s, reported on the changing conditions of the business environment where new ventures international from inception started to emerge, which cast doubt over the benefits of a slower gradual growth approach over a more ambitious approach. The cautious gradual growth model posed risks of losing markets to rival firms in the intensified international competition (Mamis, 1989; Brokaw, 1990). Evolutionary internationalisation models started to be criticised for the deterministic character.

1.1.2. Non-linear internationalisation models

Different internationalisation models were proposed. Oviatt and McDougall (1994) introduced the model of international new ventures (INVs), which seek internationalisation from inception. Rennie (1993), Cavusgil (1994) introduced the model of born globals, which internationalise within two years after establishment and have a very high share of exports in their total sales (see Chapter 1.2).

Calof and Beamish (1995) showed the evolutionary model of internationalisation to be more complex, elastic and not that deterministic. The choice of internationalisation patterns was found to be dependant on the nature of the stimuli, the firm's level of resources, experience and international skills, and attitudes of decision-makers. For example, a choice of whether to move gradually in a market or to skip steps could be the result of whether the firm's executive had prior experience in the

market; and two similar firms could follow different paths based on this sole factor (Calof and Beamish, 1995).

Bell et al. (2003) offered a model, which encompasses varying internationalisation pathways of SMEs from incremental to instant.

Schweizer, Vahlne, and Johanson, (2010) remade Johanson and Vahlne's original Uppsala model (mentioned in Chapter 1.1.1) by applying effectuation theory (Sarasvathy, 2001) from entrepreneurship research. The authors generally confirmed the Uppsala model, but they argued for the perception of internationalisation "not as an outcome of deliberate efforts to expand internationally" (ibid., p. 369), which emphasises the predictive rational view on internationalisation, but rather, they aver, it is a by-product of entrepreneurial action, when the entrepreneur decides what can be done with the available resources (thus, entrepreneur applies effectuation rationality) (Schweizer, Vahlne, and Johanson, 2010, p. 368). They agreed that internationalisation may not be a deliberate effort, but may include exploiting contingencies: they admit that "such a view of rationality corresponds better with, often unintentional, internationalisation of a company as a result of managerial or entrepreneurial efforts – the view taken in this paper" (Schweizer, Vahlne, and Johanson, 2010). Johanson and Vahlne (2009) stress that the internationalisation process is pursued within a network, which means that the focal firm enters a foreign market network which is connected via an invisible complex relationship pattern. The goal of the firm is to get a valuable network position. Some knowledge is accessible only to network insiders. The challenge for today's internationalisation is tapping into a corresponding network structure of a foreign market and getting an insider position there: „insidership in relevant network(s) is necessary for successful internationalization“ (Johanson and Vahlne, 2009, p. 1411). Having partners and thus leveraging their network position inside new markets allows foreign companies to become insiders. Relationships with middlemen may be by-passed if the firm is able to establish relationships with its customers directly.

The predictive rational view on internationalisation was deemphasized by many researchers. It was shown that, in international context, it is not only the firm that chooses its internationalisation model, but firm's focal international partners exert influence on the firm's selection of foreign markets and international entry modes (Coviello and Hugh, 1995) via the links of import and export, franchise, countertrade or strategic alliances (Welch and Luostarinen, 1993); firms derive information, expertise and advice from the marketplace (Rothwell, 1991; Tyrri, 1994), which they apply to their internationalisation process.

Crick and Jones (2000) showed how small high-tech firms combine broad diversification of markets with deriving a big chunk of total sales from one or few key markets. This model shows that deeper exploitation of some markets where opportunities have been discovered allows the firm to derive profits for further broad dispersed entry into other foreign markets.

Autio (2017) showed that although internationalisation's effect on the firm may be beneficial, and internationalising firm can develop competitive advantages, but those do not appear automatically through the mere act of internationalisation. The company needs to actively experiment with different business models in foreign markets, reflect on the lessons learnt and adjust its business model accordingly.

The case study of high performing hi-tech SMEs by Crick and Spence (2005) discovered that international decisions of entrepreneurs can result from the usage of the entrepreneur's existing contacts (which supports the networking view on internationalisation); accumulation of sufficient financial and managerial resources (which supports the resource-based view on internationalisation); contingent factors, which were not planned (which supports the serendipity view on internationalisation). Thus, both planned and unplanned strategies could lead to internationalisation. Serendipity was an important factor only if the managers of the firm were entrepreneurial enough to avail themselves of the serendipitous opportunity. Sometimes a combination of a serendipitous event and the fact that the firm have got ready for internationalisation (having financial and human resources in place) would lead to successful exploitation of the synergy of these two factors. Hence, a holistic view on the internationalisation strategy should include not only planned internationalisation, but the entrepreneurial use of contingencies.

In respect of SMEs, main reasons for their internationalisation decision were argued to be "foreign demand for products, the lack of demand in the domestic market, the customer portfolio enlargement and the increase in sales" (Kubičková, Votoupalová, and Toulová, 2014). That higher degree of internationalisation for SMEs leads to better performance was also confirmed by Pangkar (2008). Smaller firms are less able to cope with uncertainty of internationalisation than bigger firms (Westhead, Wright, and Ucbasaran, 2002) due to lack of knowledge, financial resources, economies of scale and risk aversion (Freeman, Edwards, and Schroder, 2006). SMEs are highly resource-constrained, but benefits of internationalisation for SMEs may outweigh the costs given that the firm has good enough technology, financing, marketing and other firm capabilities (Pangakar, 2008). And these capabilities may even be developed not only prior to, but *in* the process of internationalisation if learning is set as an objective in the organisation (Pangakar, 2008); this was showed in case studies by Karra, Phillips and Tracey (2008); Kalinic, Sarasvathy, Forza (2014). As argued by Oviatt and McDougall (1999), to overcome resource constraints, SMEs may extensively use alliances.

Crick and Spence (2005) concluded that no theory of internationalisation can fully explain entrepreneurial decisions: successful internationalisation was found to be managed through engaging in multiple business partnerships, wholly owning subsidiaries and application of traditional entry strategies; firms react to internal and external events differently which may range from establishing strategy to making opportunistic decisions.

Opportunistic strategies were found to be more valuable than systematic strategies when used in dynamic environments where windows of opportunity open and close fast (Bhide, 1999).

Jones (1999) concluded that internationalisation is dependant on so many variables, motives and heterogenous firm characteristics that prescription of either incremental approach or any other rigid one-size-fits-all approach is impossible.

1.1.3. Conclusion

Therefore, the problem analysis of internationalisation process shows that there are no safe-to-use recipes to carry out cross-border activities in modern international markets. There may be a number of variables involved in internationalisation decisions, the variety of motives, which are unique for the concrete firm. This only emphasises that in absence of any fail-proof internationalisation

approaches, any individual firm has to bare all the risks by deciding on all aspects of its internationalisation process.

Entrepreneurs and employees of an internationalising firm have to base their decisions on their unique situation not having fail-proof internationalisation recipes, hence it was concluded that entrepreneurs and employees of an internationalising firm operate in a highly uncertain environment and need to decide which internationalisation approach is best for this concrete firm.

1.2. Born global firms

The 1990s brought about a different academic lens to view and understand internationalisation. The research concentrated in the young and growing field of international entrepreneurship (IE), which is “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt, Shrader, McDougall, 2015). In contrast to research of the 1970-80s, academic research took a special focus on new ventures (Zahra and George, 2002). The concepts 'international new venture' (INVs) and 'born-global firm' (BG) emerged. Both terms are similar to each other and characterise companies, which grow internationally from the outset. On one hand, international new ventures always existed (e.g., East India Company, Ford Motor Company) (Oviatt and McDougall, 1994); on the other hand, the arrival of INVs and BGs in the 1990s has marked a general trend of sped-up internationalisation of newly-established firms (Moen, 2002), brought up by globally changing market conditions (Cavusgil and Knight, 1994; Oviatt and McDougall, 1994).

1.2.1. International new ventures

Growth patterns of INVs and born-globals thus could not be described by evolutionary linear frameworks of traditional international enterprises. This new breed of companies emergent in the 1990s did not follow the pattern of cautious gradual international development, where a firm would begin with serving domestic market first and then proceed with gradual involvement into foreign markets (Caves, 1982; Oviatt and McDougal, 1994). INVs and BGs managed to internationalise from the start. Vissak (2010) argued that it is not a nonlinear internationalisation, which should be seen as a deviation, but nonlinear internationalisation is a norm, whereas linear internationalisation is a special case of the nonlinear.

The term 'INV' is defined as “a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall, 1994). Today INVs are generally distinguished from born-globals, but neither has unequivocally established definitions. Hordes, Clancy and Baddaley (1995) proposed to draw a demarcation line between them based on the distinction that international firm has culture and structure similar to firm's "home" country, whereas global firm is managed from several locations. Crick, D. (2009) found that born globals were firms where management's commitment to triad markets of North America, Western Europe and South-East Asia was important and strong, and sales in each of the markets would constitute at least 10% of turnover, but the biggest portion of sales still will be in the key market; whereas in INVs sales and management's attention was more restricted to their regional basis.

Oviatt and McDougall (1994) singled out three types of INVs: 1. *new international market makers* move goods to any markets where the goods are demanded; 2. *geographically focused startups* which coordinate multiple value chain activities in one region; 3. *global startups*, which coordinate multiple organisational activities in geographically unlimited locations.

1.2.2. Definition of born globals

Classically, born-globals (BGs) were defined as “small, technology-oriented companies that operate in international markets from the earliest days of their establishment” (Knight and Cavusgil, 1996, p. 11). Later, Knight and Cavusgil (2004) defined born globals as business organisations which, either from or near their founding, seek sustainable international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. First identified in McKinsey and Company's study (Cavusgil, 1994), born-globals were characterised by being small (up to 16\$ mln annual sales) and starting exporting within two years after establishment with the average share of exports of 76% of their total sales (Rennie, 1993). Born global firms would often use technology as their competitive export advantage, which was found to be a difference from firms established before 1990s, which based their export performance on marketing advantage (Aspelund and Moen, 2001).

As a profuse research in the topic of born global firms (Dzikowski, 2018) provides, multiple definitions of born globals have been developed, but one harmonised operationalisation of the concept still does not exist. There is an agreement that in the date of foundation, born-globals cannot be established earlier than 1990 (Moen 2002; Dib, da Rocha and da Silva, 2010). Definitions predominantly differ in the degree of export intensity (which establishes the lowest value for the share of exports in total sales for a firm in order to be called a born global) and the age of the firm (which establishes in how many years after establishment or start of operation this export intensity criterion should be met) (Ferguson, Henrekson and Johannesson, 2019). In literature (Ferguson, Henrekson and Johannesson, 2019; Gabrielsson et al., 2008), the age of the firm ranged between 2 to 10 years and a minimum export intensity ranged between 20% (Servais et al., 2007) to 80% (Knight and Cavusgil, 1996). Such a big difference in exports ratio (from 20% to 80%) to qualify a firm as BG appeared due to different countries and types of industry in research. Some research was conducted in the US where large country market results in a lower export ratio (US authors originally used 25%), whereas Finnish researchers raised export ratio to 50% for a firm to qualify for BG (Gabrielsson et al., 2008).

In our research, we follow Ferguson, Henrekson and Johannesson (2019) and define born globals as "startups with at least 25% of their sales in exports within 3 years of founding", and exclude spinouts, which greatly help BGs float (Ferguson, Henrekson and Johannesson 2019; Gabrielsson et al., 2008). This definition is most commonly used in literature stemming from Servais and Rasmussen (2000, p. 14), Moen (2002, p. 158), Knight and Cavusgil (2004), Choquette et al. (2017, p. 452).

Following Ferguson, Henrekson and Johannesson (2019), it is reasonable to exclude spinouts in research on BGs due to different sets of characteristics between true BGs and BG spinouts. If not account for this differentiation it may lead to skewed results and conclusions about the nature of BGs. In their research, Ferguson, Henrekson and Johannesson (2019) found that spinouts enjoyed a higher number of employees than true born global startups. Thus, the lack of differentiation between true BGs and spinout BGs might lead in other research questions to wrong conclusions as spinouts

command more resources. The aforementioned authors conjectured that the risks and costs of true born globals may be higher than those of spinouts, making their employment similar to average SMEs.

1.2.3. Reasons for emergence of BGs' internationalisation model

Born globals' internationalisation model, generically called 'born globalness' (Rialp, Rialp, Knight, 2005) has become possible in the 1990s due to several reasons, which had allowed new ventures with limited resources to competitively compete in the international arena and facilitated international growth possibilities for SMEs. In particular, the rise of narrowly-defined niche markets created many new customers globally who needed specialised or customised products (for example, marine sonar technologies), and firms could hardly depend on one single country (Preece, Miles, Baetz, 1999). Technology enabled the manufacturing of non-standard parts in small batches, hence allowing smaller firms to manufacture in smaller volumes and cater to niche markets. Telecommunication technology allowed to cheaply manage business across borders. With the growth of international business activity, more knowledge has become available for managers. Also, managers were increasingly involved in a growing number of international activities (e.g. outsourcing), which would teach managers how to internationalise. Foreign partnerships have become an essential part of the business. International financing became more available having appeared in Europe, Japan and even China (Valeriano, 1991; Oviatt and McDougal, 1994) and human capital was becoming more internationally mobile offering talent in the global market (Johnston, 1991; Oviatt and McDougal, 1994). Altogether, this had simplified internationalisation for small young companies.

SMEs with their inherent advantages of flexibility and adaptability benefited from and availed themselves of the aforementioned global conducive conditions. Especially small young high-tech companies, which were established since the second half of the 1980s, were found to show steady rapid progress in building their cross-border activities compared to their counterparts established in earlier years (Jones, 1999). These young high technology firms managed to overcome their inherent resource constraints (Crick and Jones, 2000). This new generation of companies showed more complex internationalisation models: for example, in the first year, they could develop inward and outward trade activities, technical consultancy, and, in three years, develop overseas R&D, branches and license out technology. Such complex cross-border activities in extra-short time periods were almost inexistent in older companies (Jones, 1999). Hence, smaller firms, strongly customer-oriented, with high-value products, choosing amongst a whole variety of inward and outward cross-border activities, managed to circumvent the prescribed mode of slow gradual internationalisation development.

1.2.4. BGs' internationalisation model

A series of authors suggested that early internationalisation is imperative for born globals to be able to become a global company (McDougall, Shane and Oviatt, 1994; Madsen and Servais, 1997; Autio, Sapienza, Almeida, 2000; Moen, Ø. 2002). Autio, Sapienza, Almeida (2000) found that firms which internationalised early after inception were more successful in growing in international environments than companies that started growth in foreign markets later. Early internationalisers need to learn quickly, which develops a self-enforcing pattern of entrepreneurial proactive culture. This pattern affects all future growth, especially in knowledge-intensive firms where knowledge of people is mainly employed. Also, Autio, Sapienza, Almeida (2000) indicated a general trend (which is not

absolute, though) that the more knowledge-intensive the firm, the more rapidly it grows its international sales.

It is argued that high entrepreneurial and international growth orientations are prerequisites for becoming a born global. In order to succeed on international markets, born globals need to develop their entrepreneurial characteristics and learning capabilities (Jantunen et al., 2008).

By Morgan-Thomas and Jones (2009), knowledge intensity just by itself does not necessarily lead to internationalisation. Preece, Miles and Baetz (1999), however, point at factors which nudge early-stage technology-based firms to internationalise: they have very narrowly-defined niche markets (for example, markets for logistics software), which are very small in one single country, and, in addition, there are high product development costs and fast product obsolescence, technology in knowledge-based industries is very hard to protect. Storey (1996) showed that small firms, which aim to grow, tend to work in profitable and expanding market niches. This all prompts such a firm to rapidly enter foreign markets. Chetty and Campbell-Hunt (2004, p. 63) argued that "the born-global approach emphasises the role of strategy in internationalisation because both the focus and the pace of internationalisation are dictated by competitive imperatives to seize a leading position in the niche or emerging markets". Ganitsky, J. (1989) labelled hi-tech companies "innate exporters" for their readiness to internationalise from inception.

Software industry is even more predisposed to internationalisation, because it crosses borders with very small additional costs (Reich, 1991; Oviatt and McDougall, 1994). The research in Brazilian software firms showed that BGs were more innovative, more customer-oriented, had the higher technical knowledge, were more sensitive to risks as compared to gradual internationalisers (Dib, da Rocha and da Silva, 2010). It seems that for manufacturing firms internationalisation process is more difficult. The results presented by Ferguson, Henrekson and Johannesson (2019) conducted on a sample of Swedish manufacturing firms, which was restricted to born globals with exclusion of spinouts, suggested that born globals have no clear advantage in sales, value-added or long-run employment compared to other SMEs; born global manufacturing firms' costs and risks canceled out any benefits of born global strategy.

Born globals need to differentiate whether international markets are economically or technologically developed. For the internationalisation to economically developed markets, Efrat, Gilboa and Yonatan (2017) suggest to not adapt the product, but to hire local salesforce (hence, here sales are emphasised); whereas for the technologically developed markets, it is suggested to adapt the product and use more specialist home salesforce than the local one in the host market (hence, here technological expertise is emphasised).

Gradual internationalisation model has not been completely dismissed by some researchers. Autio, Sapienza, Almeida (2000) found greater mortality rates in international new ventures and suggested for firms not to skip growth stages, but move rapidly in a gradual approach. Stray, Bridgewater, Murray (2001) also indicated that gradual internationalisation persists even in new young firms in that respect that firms make an initial market entry with low commitment and then increase it, but do it in a very rapid pace. The authors suggest for born-globals' international expansion not to cast the net too far and wide on foreign markets, but rather limit the initial internationalisation to some key foreign markets, increase involvement there and then move to the next tier of markets. The suggestion to focus on some key foreign markets at start is in line with findings by Crick and Jones (2000), which

suggest that rapidly internationalising high-tech firms combine the strategy of broad diversification of markets with the strategy of concentration on one or a few key markets, which provide around 37% of total sales.

Gabrielsson et al. (2008) identified three phases of born globals' growth:

Phase 1: the introductory phase: BG sets the system to acquire organisational learning. Whereas most SMEs internationalise as a result of their increased market knowledge when they decide to take on a new challenge and enter foreign markets; internationalisation in BGs is decided yet before the venture establishment and is triggered by global perspectives of the entrepreneur who strongly identifies with the goal of born global venture to internationalise right from the start. The entrepreneur forms staffing aligned with these goals; if the BG lacks international experience, it hires an export manager at the very start (Zuchella, 2005).

Phase 2: growth and resource accumulation: the BG learns from the partners and initial customers with whom the BG co-operates, and accumulates resources. BG should either tap into channels and networks or start cooperation with larger customers (Gabrielsson et al., 2008). The decision on whether to opt for networking or a bigger customer depends on the founder, the product and innovation and the entrepreneur's stance on networking (Gabrielsson et al., 2008).

Phase 3: break-out and required strategies: BG plans its own global market positioning independent of its original larger key customers. If the BG does not break out from the dependence on the key partners, it faces a risk to become a small satellite in the network. At this stage, it is decided whether the BG will grow into a bigger independent company.

Moen (2002) found that companies established in the 1990s, either they are global or local (local firms considered in the research were the ones which exported to adjacent markets), had no differences in the level of competitiveness. He suggested that the difference between modern global and local SMEs should not be sought in competitiveness level, but rather in industry-specific factors and market conditions. What also differentiated born globals from local firms was an international vision, in which born global firms scored higher. Managers of born globals viewed the world as their marketplace, communicated this vision down to the employees, and intentionally developed resources for export activities. Moen (ibid.), however, also supposed that, in the long run, global firms, learning in global competition, might become more competitive than local firms through technological development.

Companies were also found likely to be 'locked' in either localness or globalness based on which of the two modes the firm has chosen at its formation (Moen, 2002; Madsen and Servais, 1997, p. 573); the firm then becomes path-dependent on its initial choice of either being local or global, and gradual internationalisation may not even be possible (McDougall, Shane and Oviatt, 1994, p. 470).

According to the single case study by Karra, Phillips, and Tracey (2008), in non-hi-tech industry (leather products and accessories) successful rapid internationalisation requires pre-existent international experiences, skills and networks of the entrepreneur and others in the firm, and international vision (international vision means an ability to look beyond the domestic market and “see complex connections between design, production and distribution across international boundaries that appears to be critical” (ibid., p. 451)). An ability to build cross-cultural relationships

and international ties was found to be an important capability of international entrepreneur. In this study, the international entrepreneur exhibited such behaviour as proactive search for partners in other countries (in this particular case, it meant visiting the country and identifying an opportunity in the course of other activities, by virtue of the entrepreneur's existing stocks of knowledge about the home and host markets and by sheer fortuitous discovery, which then ended up in imagining how to combine resources across international boundaries); relationships were built on the affordable loss principle (the entrepreneur allowed his partners to pay for the goods after they had been sold rather than in advance); partner relationships were very close (the entrepreneur would attend partners' birthday parties and weddings) regardless of the quantity of goods the partners were able to sell; the international entrepreneur offered a vision of the future to his partners. Partners rewarded the entrepreneur with high levels of loyalty and dedication to the business.

Freeman, Edwards and Schroder (2006) discovered in a case study that born global firms achieved economies of scale in very short time, because

1. they had hi-tech or innovative products;
2. their entrepreneurs used their own personal networks;
3. they secured relationships with some large global suppliers and customers;
4. they applied client following approach which meant forming strategic alliances, licensing or establishment of joint ventures with suppliers and customers who opened the born global firm access to a network of clients.
5. they applied various entry modes (entry model was far from stage-based).

Morgan-Thomas and Jones' (2009) research revealed a complexity of modes of foreign entry of rapid internationalisers (born globals), which is far from the rather simple linear evolutionary model. Rapid internationalisers were found to often have concurrent strategies of concentration on some key markets along with broad diversification of markets. Rapid internationalisers would usually derive a very big share (37% of total sales) of total sales from one key market. To provide a comparison, slower *regular internationalisers* would derive 11% of total sales from their key market. Also, rapid internationalisers, in their sales channel structure, would use a mixture of both exogenous intermediaries and their own export channels. Specifically, over 50% of rapid internationalisers (which is significantly more compared to regular and reluctant internationalisers) would have their own export sales force to service foreign markets. At the same time, a relatively high proportion of rapid internationalisers may even rely on intermediaries in their key markets. This all indicates that expansion patterns used by rapid internationalisers are much more diverse than as is suggested by linear evolutionary internationalisation pattern. As it can be seen that even in key markets which provide resources for diversified expansion in other markets, many firms did not see it important to establish their own subsidiary and relied on partners. This indicates the flexibility of channel structures of such firms. It also looks interesting that rapid internationalisers would exploit one key market to derive the wherewithal to invest in broad diversification of markets.

1.2.5. Conclusion

Born globals seem to be influenced by endogenous and exogenous factors, which push them to internationalise from inception. High-technology industry is innately ready to internationalise from inception. Born globals do not have a pure diversification strategy, however, they tend to derive a big portion of sales from one or a few profitable key markets and invest resources in further market

diversification. Born globals go through three growth phases: at early stages they get dependent on their key customers, but they need to break out from this dependency in order to become independent and grow further. This analysis shows that born globals operate in a very uncertain environment: various factors push them to internationalise rapidly, but they need to find their key market, and even after they established working relationships with their key partners, their future is still uncertain. If the born global does not position itself in the global market as an independent company, its future will be remaining a small satellite of a large company. It requires entrepreneurial approach to deal with such levels of uncertainties. And born globals were found to score high in entrepreneurial orientation (Jantunen et al., 2008). It is thus relevant to analyse born globals in the frameworks developed in entrepreneurship field.

1.3. Effectuation theory

In previous literature analysis we have seen that born global firms cannot follow some safe internationalisation recipe, because it does not exist, but rather born globals need to be entrepreneurial in internationalisation processes. Entrepreneurs of born globals need to know their unique internal and external environment and circumstances to draw up an appropriate internationalisation strategy. Rapid internationalisation incurs multiple risks and high degree of uncertainty. Born global firms expose themselves to risks more, as opposed to those MNEs, which internationalise incrementally in a risk-averse way (Oviatt and McDougall, 2005). And entrepreneurs of born global firms tend to be more sensitive towards risks in international markets than their counterparts from gradual internationalisation companies (Dib, da Rocha and da Silva, 2010), especially regarding that the speed of international entry of international new ventures bears influence on creating momentum for ensuing accelerated growth (Hilmersson et al., 2017; Schu et al., 2016). *Effectuation theory* addresses entrepreneurial behavior under high degree of uncertainty in fast moving, nonlinear environments (Sarasvathy, 2001). Effectuation theory also addresses resource constraints, which concerns most SMEs (Ettlie and Rubenstein, 1987), and born global firms in particular. Effectuation provides “a proactive entrepreneurial perspective that better describes the firm’s development than earlier theories used to analyse born globals’ internationalisation” (Andersson, 2011, p. 637). Before we segue to effectuation theory analysis, we provide an analysis of uncertainty concept. Born globals are reported to encounter high degree of uncertainty.

1.3.1. Risk and uncertainty

Specific risks of born global firms are created by two major factors: small size of the firm, and exposure to international business (Shrader, Oviatt and McDougall, 2000). As Gleason, Madura and Wiggernhorn (2006, p. 97) wittingly remark that a small born global firm, constrained in resources, "must play the role of (or hire) international accountants, exchange rate forecasters, geopolitical analysts, derivatives experts, global marketers, and international human resource specialists", which is not always possible to even established firms. Their findings show that BGs can cope with all those tasks they face on the global arena because board members and managers of BGs are more internationally experienced, BGs are commonly backed by venture capital; organisational learning through networks helps them to sustain long-term performance. Dimitratos et al. (2016) report that born globals apply sophisticated market research systems and involvement of “lead clients” to increase their customer orientation. Read, Song, Smit (2009) argue that BGs’ coping strategy is rather creation of alliances. Freeman, Edwards and Schroder (2006) aver that, for successful internationalisation, BGs use innovation (advanced technology) and partnerships and alliances.

By Stocker and Abib (2019), risks of born global firms are mitigated through the international background of managers and the use of networks. In the formulation of international strategy, born globals are not independent of attitudes, routines, practises of the institutional structure of the industry in their home market, they are influenced by risk-taking of the industry in their home region (Huang, Liu, Lu, 2020). Overall, risk-taking behaviour in SMEs was found to positively influence financial performance (Jin, Jung and Jeong, 2017).

There are multiple internal and external barriers, which inhibit SMEs' internationalisation processes and which SMEs need to overcome. "Barriers to exporting refer to all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets" (Leonidou, 2004, p. 281). In the Harcourt's (2006) survey, 32% of respondents said that they did not face any barriers carrying out international operations, Liesch, Welch and Buckley (2011) believe that it may be due to ignorance, because much of the activity in companies is carried out in the state of ignorance (Roberts and Armitage, 2008). Export barriers may be internal (functional, informational, marketing) and external (procedural, governmental, task, environmental) (Leonidou, 2004, p. 281). In an OECD (2009) research, it was found that SMEs tend to perceive internal factors (relating to firm's resources and capabilities) as a more significant barrier to internationalisation than external factors (relating to the environment of foreign markets).

Knight (1921) demarcated the difference between risk and uncertainty. Risk is a measurable uncertainty, or uncertainty with a known distribution, which is different from true uncertainty, which is unmeasurable and has unknown distribution. Liesch, Welch and Buckley (2011) following Knight, referred to risks as "decisions where the consequences of actions are subject to known probability distributions". Hence, consequences of actions of decisions under uncertainty are subject to an unknown probability distribution. Reymen et al. (2015, p. 353) define uncertainty "as a lack of knowledge and, therefore, an inability to predict a state, effect, or response of the environment relative to the venture's own actions".

This distinction of risk and uncertainty is employed by the effectuation theory from the field of entrepreneurship. Effectuation theory was developed by Sarasvathy (2001). In the effectuation theory, there are two types of logic of decision-making, effectual and causal. In a very general sense, effectuation was found to be used by entrepreneurs to cope with high degree of uncertainty, while causation is used to cope with risks. A more detailed view on effectuation and causation is presented below. Effectuation theory provides an important framework to look at born global companies, which deal with lots of risks and high degree of uncertainty.

1.3.2. Effectuation theory framework

Developed by Sarasvathy (2001), effectuation theory "posits a theoretical framework describing how expert entrepreneurs utilise resources within their control in conjunction with commitments and constraints from self-selected stakeholders to fabricate new artefacts such as ventures, products, opportunities, and markets" (Sarasvathy et al., 2014).

As defined by McKelvie, Haynie and Gustavsson (2011), effectuation is "entrepreneurial heuristics which expert entrepreneurs have applied in the uncertain contexts of creating new products, new companies, or new markets". Effectual logic implies that the entrepreneur has existant means at hand, which s/he seeks to manifest into goals which are not yet defined. "Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of

means” (Sarasvathy, 2001). Effectual logic is more often applied to deal with uncertainty because pre-defined goals cannot be set in conditions of uncertainty; rather the existant means direct which possible goals can be set and achieved with those means.

“Causation processes take a particular effect as given and focus on selecting between means to create that effect” (Sarasvathy, 2001). Causal logic implies that entrepreneurs can set a predefined goal and try to find the means to reach this goal. Causal logic is more often applied to deal with conditions of risks, because in risky situations the goals can be predefined and risks can be identified and managed.

Neither effectuation nor causation are superior universally, both are needed, moreover, they may exist in combination (Sarasvathy, 2001; Berends et al., 2014).

Effectuation theory is based on five principles (see Table 1), which together encompass effectual logic (Sarasvathy, 2008); in the Table 1, we also provide, for comparison, causation, and the decision-making, which refers neither to effectuation nor causation, as researched by Hauser, Eggers and Güldenberg (2019).

Table 1. Effectuation vs causation

Approaches			
Dimension (da Costa, 2011)	Effectuation (Sarasvathy, 2008; Hauser, Eggers, Güldenberg, 2019)	Causation (Sarasvathy, 2008; Hauser, Eggers, Güldenberg, 2019)	Absence of strategy (Hauser, Eggers, Güldenberg, 2019)
Starting point of the venture	<i>Bird-in-hand principle</i> New opportunities are imagined starting with available means. Entrepreneur starts with the analysis of three categories of his/her means: 1. Who I am (tastes), 2. What I know (expertise), 3. Whom I know (networks). Entrepreneur combines these means, imagines an opportunity and takes action towards the imagined outcome. With next action, possible outcomes may be reconfigured, and so until the desirable and achievable goals emerge. Actions and interactions with people result in the final outcome.	<i>Goal-driven</i> The set goal directs the choice of the means required to achieve this goal. Even if the set goal is constrained by limited means, it will set forth the sub-goals and actions.	<i>Putting-out-fires</i> Implies ad hoc problem solving. This rationale describes a situation where management gets totally absorbed by current events and crises. Managers do not have the opportunity to develop their visions or to think in the long term. Putting-out-fires rationale provides only short-term solutions, not long-term ones. "Instead of having a worthwhile goal or a competitive resource taken as basis of action, in the putting-out-fires rationale, the manager starts actions on the appearance of a problem". For example, "day-to-day operating issues where decision-making is absorbing the time necessary for long-term planning" (Hauser, Eggers, Güldenberg, 2019).
Perception of risk	<i>Affordable loss principle</i> Entrepreneur deploys strategies which are	<i>Expected-return</i> Targets are chosen based on their expected returns.	<i>Blinded-by-the-light</i> Implies overconfidence by suppressing of risks

	<p>affordable, rather than optimal. For that, s/he personally decides what s/he is willing to lose. Targets with the highest ROI do not matter to the entrepreneur. Those targets are pursued where investment is less or equal to what all stakeholders are willing to lose. Entrepreneur brings other stakeholders on board and leverages what they can afford to lose together. The focus is set on cultivating opportunities, which have a low cost of failure.</p>	<p>Potential sales are predicted based on market research. Means are found to support these targets.</p>	<p>and requirements. “This typically happens in situations where managers push their company into projects that go way beyond the capability of the organization” (Hauser, Eggers, Guldenberg, 2019).</p>
Attitude towards outsiders	<p><i>Crazy quilt principle</i> Entrepreneur focuses not on beating competitors and predicting what those can be up to, but on proactively building partnerships for co-creation with self-selecting parties to produce together some new mutually valued outcome. Business opportunities are shared with committed partners. Partners may self-select into the firm with commitment to create something. New partners expand the means of the effort. Not the goals drive who comes on board, but who comes on board drive what the goals will be. Detailed competitor analyses are not made. Product is brought to market with the least possible expenditure to the nearest customers. Getting pre-commitments from customers and stakeholders early reduces uncertainty. Customers and partnerships determine which market the entrepreneur will end up in.</p>	<p><i>Competitive-analysis</i> The market is determined. Competitors in this market are analysed. Business opportunities should be protected against potential rivals. Strategic alliances can be built with optimal (not self-selected) partners on an agreement to pursue a set of objectives.</p>	<p><i>Walking-alone</i> Implies no analysis and no definition of stakeholder relations. “Walking-alone rationale is often a consequence of an owner or manager not willing to share information or strategic plans with employees and stakeholders [...] If the entrepreneur feels s/he cannot trust a party needed to act on an opportunity, then the opportunity will most likely not be exploited” (Hauser, Eggers, Guldenberg, 2019).</p>
Mindset towards unexpected events	<p><i>Lemonade principle</i> In the event of unexpected events entrepreneur may apply imaginative thinking and reconfigure the action plan. Unexpected and surprising events can lead to a valuable opportunity.</p>	<p><i>Avoiding-surprises</i> Contingencies which can interfere in the planned action plan, should be avoided. For that prediction, planning and focus are used.</p>	<p><i>Dead-end</i> Implies situations when surprising events cannot be leveraged. The entrepreneur fails to achieve the predetermined goal and cancels the project or</p>

			fails to make changes in the plan.
Mindset towards control	<p><i>Pilot-in-the-plane principle</i></p> <p>An entrepreneur focuses on what s/he can control, rather than achieving a pre-existing goal. Control can be described as follows: „If a participant could take steps to favorably alter the success rate in subsequent administrations of the task (not in the current administration), then the task is said to be characterized by control“ (Goodie, 2003, p.598). Entrepreneur views his/her actions as the main driver to opportunities and goes ahead even if the road ahead is not crystal clear. Opportunities are not discovered, they are created.</p>	<p><i>Predictive-trends</i></p> <p>“Predictive logic casts the future as a continuation of the past” (Hauser, Eggers, Guldenberg, 2019). Opportunity is determined exogenously by the market. Entrepreneur predicts and adapts to the environment.</p>	<p><i>No-control</i></p> <p>The future is not controllable. Neither can inevitable trends (causation) be predicted, nor pilot-in-the-plane principle (effectuation) is possible. Venture success is solely luck and hard work.</p>

Table 1 also emphasises that effectuation is a deliberate, intentional strategy (just as causation) and differs from absence of strategy, although effectuation often has been lumped with the absence of strategy (Hauser, Eggers, Guldenberg, 2019). Absence of strategy is also possible in firms, because they do not always follow a specific strategy and sometimes may have no rational decision-making approach and may be simply engaged in putting fires (ibid.).

A concise comparison of causation and effectuation is set in the table developed by Perry, Chandler and Markova (2011) (see Table 2). Read, Song, Smit (2009) found a positive association of all effectuation principles, except the affordable loss principle, to be positively associated with a higher company performance.

Table 2. Effectuation vs causation comparison developed by Perry, Chandler and Markova (2011)

Causation	Effectuation
Begin with a given goal	Begin with a set of given means
Focus on expected returns	Focus on affordable loss
Emphasis on competitive analysis	Emphasis on strategic alliances and pre-commitments
Exploiting preexisting knowledge	Leveraging environmental contingencies
Predict a risky future	Control an unpredictable future

We provided this rich explanation of the decision-making logics, because some of the principles overlap in both logics and may lead to confused outcomes. For example, Chandler et al.’s (2011) study revealed that focus on means actually loaded more strongly on the causation factor (McKelvie

et al., 2019). Strategic alliances are touted as important in both the effectuation literature and the causation literature, and, in order to bifurcate how strategic alliances exist within both logics, fairly recently, it was suggested that causal strategic alliances imply agreements with partners to pursue a set of objectives, while effectual alliances imply co-creation which “clearly focuses on building something new together” (McKelvie et al., 2019), which yet may be redefined. Effectual networking implies that firms do not consider “which foreign network structures their firms could fit into. In some instances, it is a conscious choice not to control and influence the network in order to allow the other partners to bring unexpected opportunities and co-create new combinations” (Galkina and Chetty, 2015). The dimension of pre-commitments (originally, referred to effectuation) also overlaps with causation (ibid.). Thus, the effectual and causal approaches have similarities and overlaps. The researcher thus has to be careful attributing some type of behaviour to one of the two logics. In a qualitative analysis, the researcher should seek to shed light on other details in case of confusing information received.

Empirical studies suggest that entrepreneurs do use effectual elements in the processes of building new firms (Dew et al., 2008). The principles of effectuation and causation are generic for all types of entrepreneurs, irrespective of whether they are a small business manager or an established global manager (Helmersson and Mattsson, 2012).

Our previous literature analysis showed that born global firms need to be very entrepreneurial, because decision-making at born globals is thwarted by high levels of uncertainties and time-pressures. Nummela et al. (2014) found that decision-making in born globals is often intuitive and is based on limited information, because windows of opportunity do not allow long protracted decisions. Born globals have resource constraints and they need to develop their own internationalisation approach based on their unique conditions. However, born globals manage to overcome their constraints. This is in line with effectual approach, which posits that it is not the quantity and quality of resources at hand what matters most, but what entrepreneurs do with their resources (Sarasvathy et al., 2014; Prashantham and Dhanaraj, 2010; Yli-Renko, Autio, and Tontti, 2002).

Sarasvathy et al. (2014) also state that BGs have strong aspects of effectual internationalisation.

Hence, the study of born globals in the framework of effectuation theory is appropriate due to the entrepreneurial behavior of born global firms, and effectuation theory was developed within the entrepreneurship research field. Effectuation theory is one of the theories applied in studies on born globals (Dzikowski, 2018).

The multiple research papers show that SMEs may extensively use alliances to overcome resource-constraints (Oviatt and McDougall, 1999; Read, Song, Smit, 2009; Andersson, 2011, Gabrielsson and Gabrielsson, 2013). This is also in line with the crazy-quilt principle of the effectuation theory, which posits that expert entrepreneurs tend to expand their resource base by creating partnerships (Sarasvathy et al., 2014).

Sarasvathy et al. (2014) admit that it would be interesting to carry out empirical examinations of how ventures internationalise, "how new ventures mix and match predictive (causal) and nonpredictive (effectual) approaches" (ibid., p. 77). In a longitudinal case study, Nummela et al. (2014) researched how events influenced the decision-making of the heads of BGs and found that both causal and

effectual logics were used: "decision-making of born global firms seems to be characterised by alternating periods of causation- and effectuation-based logics" (ibid., p.527). Small firms, in product innovation processes, tend to use both logics: effectuation at early development stages, while causation, at later development stages, respectively (Berends et al., 2014). Brettel et al. (2012), in studies of effectuation and causation effect differences in research and development projects, ascertained positive effect of effectuation on success in highly innovative contexts, and causation approach to projects with lower levels of innovativeness.

Sarasvathy (2001) argued that effectuation is applied the most at the early stage of firms when the level of uncertainty is the highest. This is in line with the research on SMEs' internationalisation which provides that at early stages firm follow their intuition rather than follow predetermined plans (Rialp-Criado, Galvan-Sanchez and Suarez-Ortega, 2010; Schweizer, 2012). It thus should be assumed that more causation-based logic is added at later stages of the firm. Based on Nummela et al. (2014), the early phases of growth of a born global firm are characterised by effectuation decision-making logic, later the decision-making becomes more causation-based. Research shows that at later internationalisation stages causal decision-making is more favoured by companies (Gabrielsson and Gabrielsson, 2013; Kalinic, Sarasvathy, Forza, 2014). At the same time expert entrepreneurs seem to favour effectuation over causation: Dew et al. (2009) in comparison of decision-making of expert entrepreneurs and MBA students saw diametrically different logics, expert entrepreneurs applied effectuation, while MBA students applied causation, respectively. Harms and Schiele (2012) also provide evidence that SMEs with greater experience tend to keep to effectuation at later internationalisation stages.

Kalinic, Sarasvathy, Forza (2014) argue that when entrepreneurs who lack prior internationalisation experience, start approaching internationalisation to markets, which they absolutely do not know, they first try to do it causally, but soon realise it is too complex and switch to effectuation logic. They lack knowledge to develop a goal into sub-goals (goal ambiguity). Thus, they follow their means. Once they acquire and structure their knowledge about internationalisation, they begin to be able to calculate risks and estimate return on investment, so they turn to causal logic. The researched entrepreneurs reported to have done business planning before undertaking internationalisation; however, a closer look showed that the plans were mere drafts, and actual decisions were following the available means. The authors conclude that internationalisation to markets with high uncertainty without prior internationalisation knowledge is possible by applying effectuation logic.

For international new ventures, network connections play one of the key roles in international expansion. Network-building process may be both causal (Van Werven et al., 2015; Vissa, 2012) and effectual (Alsos et al., 2016; Engel et al., 2017; Alvarez et al., 2015), and Prashantham et al. (2018) conceptualise that the choice of causal or effectual decision-making logic in networking of international new ventures is expected to lead to opposing effects in the dimension of commitment to international market and the dimension of the scope of international markets. Specifically, effectual approach is expected to accelerate building the scope of the network, whereas causal approach is expected to accelerate the speed of building commitment in international markets. This means that the dominant orientation of the firm to one decision-making logic may influence the firm's internationalisation strategy. Firms with dominant causation-based decision-making may tend to build tighter commitment to particular markets. Firms with dominant effectuation-based decision-making may tend to engage in various contingent alliances and build a broader scope of international

markets. This makes rapidly internationalising firms an interesting object of research: as we have already analysed many born globals rely on tight commitments to key partners, while alongside entering in a broad scope of markets. It is important to explore specifically born global firms in the aspect of their decision-making processes: what is delegated to employees and what remains the domain of the entrepreneur, i.e., how decision-making is allocated between those two parties.

1.3.3. Research question formulation

Although companies face uncertainty both at the level of top management and employees, most research does not specify how causal and effectual decisions are allocated within the company between entrepreneurs and employees. Theoretical analysis of how decision-making logics applied by entrepreneur will influence employees, has been proposed by Hubner and Baum (2018). Previous research suggested that over time, when uncertainty decreases, effectuation is superseded with causation approach. What remains unresearched is how entrepreneurs at born global startups allocate effectuation among entrepreneurs and employees. As soon as a startup hires employees, the decisions need to be made about the delegation of certain tasks to these employees, and thus managers need to decide how much of effectual decision-making they delegate to these employees. The process of delegation of effectual decision-making to employees is in itself a risk for the company because the top management needs to be confident in the employees' ability to manage effectually, as effectuation is very actor-centric.

The knowledge gap we see is the following: we do not know what are the patterns of allocation of effectual and causal logic among entrepreneurs and early and later employees.

The research question is thus: How effectual decisions are allocated between entrepreneurs and employees at the earliest and later stages in born global firms?

Hence, the construct that we need to operationalise in the next chapter is “*effectuation allocation*”.

2. Theoretic analysis

Entrepreneurship “focuses on how interesting new variations (new products and services, new ways of embodying technologies, new institutions, new customer needs and wants, new production and supply variants, new ways of organizing) are introduced in a market economy” (Dew et al., 2008).

Although the research in entrepreneurship has been primarily focusing on the effect of sole entrepreneur on the venture, a greater majority of ventures are led by teams (West, 2007; Klotz et al., 2013). As noted by Gartner et al. (1994), the word “entrepreneur” “is more likely to be plural, rather than singular”. Additionally, the importance of employees has also been largely neglected in entrepreneurship research (Cardon and Stevens, 2004) and in born globals, in particular (Hernandez, 2019), although firm’s approach to staffing and performance management has a significant effect on firm’s effectiveness (Cardon and Stevens, 2004; Heneman and Tansky, 2002) and the success of entrepreneurial activities is dependant on employees (Tang et al., 2014). In born global firms, the process of adding employees is critically important. As Kundu and Katz (2003) show, at the stage of the born global firm without employees, the firm creator’s vision and willingness to be technologically innovative are fundamentally important for venture success; however, as the firm grows by adding employees, the creator’s vision and passion becomes diluted, because employees see the firm not as a mission, but as a job. As the firm grows the creator’s individual intention will be less evident at the level of the firm. Kundu and Katz (2003) expected that such a dilution of owner-intention effects would be less “in firms where the employees’ intentions and those of the founder are more consistently aligned” (p.43) for example, through hiring employees with shared beliefs or providing trainings or role modeling.

Thus, the process of adding employees to the firm demands from the entrepreneur to choose a management style. The entrepreneur will make some decisions about how to manage employees and thus the firm’s orientation to some dominant decision-making logic will also be chosen intentionally or unintentionally.

Supposedly, due to this generally little attention to the topic of employees in entrepreneurship domain, little attention has also been devoted to research on how entrepreneur’s decision-making logic influences employees (Hubner and Baum, 2018). Hubner and Baum (2018) provided a theoretical analysis of how effectuation and causation decision-making logics impact on leadership behaviour of entrepreneur and how this consequently effects employees. They theorised that effectuation and causation will positively, but distinctly influence employees’ commitment and motivation; however, effectuation will facilitate creativity, whereas causation will hinder it; this is in line with Sarasvathy (2008) that effectuation allows to leverage “limited means in creative ways to generate new ends as well as new means” (p. 81); and Fisher’s (2012) case studies showed that affordable loss principle inspired creativity and innovation. Cognitive psychology confirms that when people are limited by constraints, their solutions tend to be more creative (Finke, Ward, and Smith, 1992). Thus, Hubner and Baum (2018) argued that employees should be regarded as an important part of effectuation theory, because they are important participants of the process.

As effectuation implies that the employee does not receive a given goal and needs to develop a goal, this also implies that the employee has to have more autonomy to come up with a goal on his or her own. And autonomy has been confirmed in multiple studies as an important factor in developing entrepreneurial actions in employees (Feyzbakhsh, Sadeghi and Shoraka, 2008; Globocnik and

Salomo, 2014). This means that when employees can independently decide how to do their job, they can behave entrepreneurially. Entrepreneurs need to create an environment which favours and facilitates entrepreneurial behavior in employees (Lages et al., 2017): culture of participation in decision-making, communication channels to transmit information and ideas in the organisation (Hernandez, 2019). Entrepreneurial employees assume entrepreneur's role and behave similarly to the entrepreneur (Martiarena, 2013).

International new ventures confront risk and uncertainties through their staff (Montoro-Sánchez and Ribeiro-Soriano, 2011). Employees at INVs, which, as has been shown earlier, operate in highly competitive international environment and require a high level of entrepreneurial orientation, were found to show clear entrepreneurial attitudes (Hernandez, 2019).

Fisher's (2012) research on internet companies revealed that entrepreneurs employed both effectual, causal and bricolage behaviors alongside. His research did not specify in which patterns the behaviours co-existed. Sarasvathy (2001) herself admitted that both "causation and effectuation are integral parts of human reasoning that can occur simultaneously, overlapping and intertwining over different contexts of decisions and actions" (p.245). Reymen et al. (2016) suggest that the usage of both logics is necessary to lead a new venture to the first sales, but the appropriate major components of the venture's business model are better found effectually. Effectuation is well used to uncover hidden market need and target customers, whereas causation should be brought in later to define and further develop all the other components of a viable business model. The further venture moves from exploration to exploitation, the more it shifts from effectuation to causation. What appears from another research is that decision-making logic tends to evolve from more effectuation-based at firm's nascent stages to more causation-based in mature companies due to the overall reduction in uncertainty level (Dew et al., 2009; Fisher, 2012; Sarasvathy, Menon and Kuechle, 2013). As Sarasvathy admits, "successful firms are more likely to have begun through an effectual logic and grown through causal approaches as they expand and endure over time" (Sarasvathy, 2008, p. 133).

Berends et al. (2014), in a multiple-case study, analysed new product development processes in several companies and found that, in NPD, both logics of effectuation and causation were used by project teams at different project stages. The authors talk about the general pattern of how the two logics interact in NPD. Generally, effectuation logic tended to turn more towards causation closer to the end of the project. Specifically, the authors identified that the project teams' effectuation process was resource-driven, stepwise and open-ended and was used at earlier project stages. Causation processes were especially used at later stages to plan and set objectives.

This indicates that different combinations of effectuation/causation logics might be used in firm processes. Hubner and Baum (2018) developed a model where the chosen strategic logic (effectuation or causation) is linked to a particular management style towards employees. It should be inferred that application of different *management styles* by the entrepreneur will affect which logics (effectuation or causation) or combinations of these logics will be used by employees in their processes.

Supposedly, company's decision-making does not shift from effectual to causal instantly, it may evolve towards more causation-based stepwise. As in effectual management broad responsibilities are assigned to employees and employees are encouraged to co-create the venture (Hubner and Baum, 2018), it is reasonable to expect that especially early employees – hired by the company at the earliest

stages, they work closely with the founding team, perform in many overlapping functional roles and are more integrated into the workgroup with the founding team (Chen, 2013) – will still use effectual processes. As the firm grows, later stage employees may operate in a more causal decision-making logic. Alternatively, effectual logic may hold as the company matures, because, in the prior analysis, we discovered that born globals are entrepreneurial firms (Karra, Phillips and Tracey, 2008), and work in entrepreneurial firms usually requires creative work (Mumford et al., 2002), and creativity is facilitated with effectual logic more. Effectuation has been confirmed to exist in the context of established SMEs (Matalamäki, 2017), and these companies even showed growth during 2009-2013 crisis years applying both effectual and causal approaches, but with a big dominance of effectuation. Hence, we see the need to trace how effectual and causal logic develop from application by the founding team with the earliest employees to that between the founding team and early employees to that between the founding team and later employees.

For this reason, we are combining a model developed by Hubner and Baum (2018) (see Fig.1) with the sets of effectual and causal tactics from the research by Berends et al. (2014). The model developed by Hubner and Baum (2018) expands the concepts of effectuation and causation into, respectively, two expected sets of leadership behavior with possible explanations of their effect on employees.

We, however, truncate Hubner and Baum's (2018) model borrowing only the leadership behavior types, which we will use to identify which kind of general decision-making logic is used by the entrepreneur and which leadership style towards employees the entrepreneur applies. Then, basing on Berends et al. (2014), we will explore the sequences of operations within the born global firm identifying whether they were *resource-driven, stepwise and open-ended* (effectual logic) or *goal-driven, pre-planned and goal-bounded* (causal logic). Other principles of both logics (effectuation and causation), which we elaborated in Table 1 based on the effectuation literature, will be taken into consideration in identification of the type of decision-making.

We can expect that the studied process may have alternations or some mix of effectuation and causation. We particularly plan to explore how the mixes of effectuation and causation differed at early stage of the company when only the founding team operated, then when the company hired their first employees and when the company hired their later employees.

We follow Fisher (2012), who based his definition on Bird and Schjoedt (2009), in the definition of entrepreneurial behaviors “as the concrete enactment of individual or team tasks required to start and grow a new organization, which manifest as discrete units of individual activity that can be observed by an audience”. That is why our model is built to analyse the discrete units of individual activities undertaken by entrepreneurs and their employees (and narrated to us), and then in subsequent analysis we refer these activities to either effectuation or causation logics, and analyse in which patterns those intertwined.

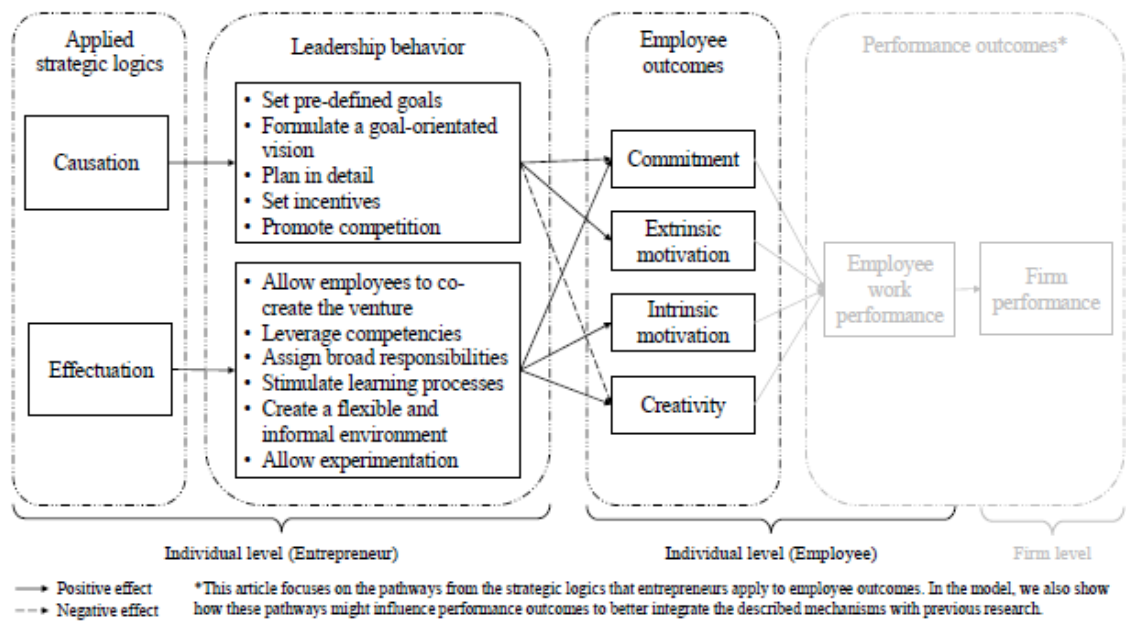


Fig. 1. Firm internal processes cause by causation and effectuation (Hubner and Baum, 2018)

The final research model is presented in Fig. 2

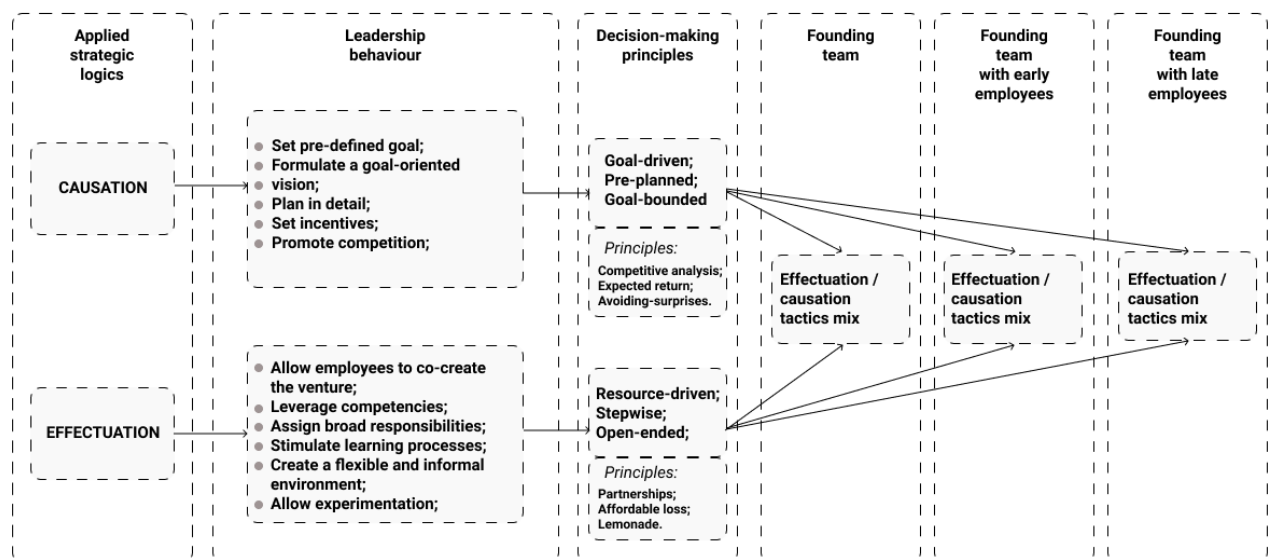


Fig. 2. Research model (developed by the author)

The model is further explained in the next sections.

2.1. Detailed description of effectuation and causation

Several empirical studies have recently provided evidence that effectuation and causation simultaneously co-exist in the same firm (Dutta et al., 2015; Sitoh, Pan and Yu, 2014; Reymen et al., 2015; Lingelbach et al., 2015). It makes it important to describe them carefully to be able to discern between them in real settings, which sometimes poses difficulties. For example, if the competitive analysis has been carried out and the goal is given to the team (which is indicative of causal approach), but further work towards that goal takes effectual turn resulting in stepwise open-ended experimentation and reconfiguration of the goal.

To bring maximum clarity, we use this section to set forth the peculiarities of the two logics, particularly effectuation.

A concise useful comparison of causation and effectuation processes is laid out in Table 3.

Table 3. Comparison of causation and effectuation (from Fisher (2012))

Causation:	Effectuation:
<p>Outcome is given.</p> <p>Select between means to achieve that outcome by:</p> <ol style="list-style-type: none"> 1. Starting with ends 2. Analyzing expected return 3. Doing competitive analysis 4. Controlling the future 	<p>Set of means are given.</p> <p>Select between possible effects that can be created with those means by:</p> <ol style="list-style-type: none"> 1. Starting with means 2. Applying the affordable loss principle 3. Establishing and leveraging strategic relationships 4. Leveraging contingencies

Causal entrepreneurial outlook assumes that markets pre-exist and are rarely created, so the goal of entrepreneur becomes to take up a possible share of the existing market (Fisher, 2012). In the causal view, the opportunity in the market needs to be identified. If it is possible to predict an opportunity, it is possible to properly position the company to succeed. This then leads to setting goals and planning how to achieve these goals. Only after the goals are set, resources needed to reach these goals are raised (see Fig. 3). Customers who potentially will want to buy the product, can also be defined before the goals were set and the resources were allocated. In causal entrepreneurial view, actions are based on the definition of goals. The view of the future is predictive (Dew et al., 2009). Contingencies that go against the predictive planning need to be avoided. Competition is closely watched and measures against it are taken.

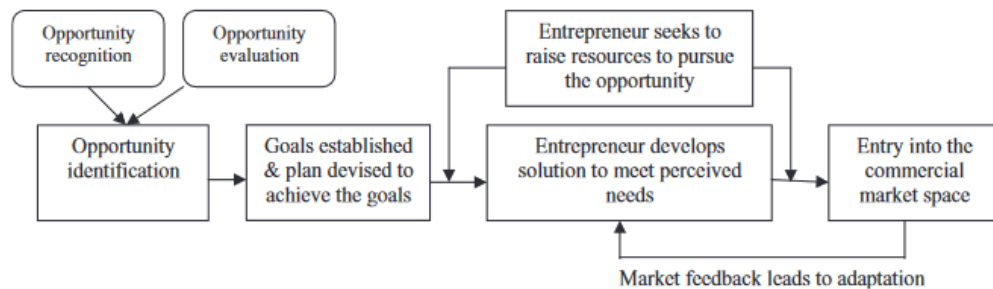


Fig. 3. Causal approach to entrepreneurship (developed by Fisher (2012))

Effectual entrepreneurial outlook deals with the environment of high uncertainty and dynamism (entrepreneurs make decisions most of the time in such unpredictable contexts (Wiltbank et al., 2006)). Target customers can hardly be determined in this situation ex-ante, so they are determined ex-post by watching who buys the product. Goals may change and be constructed over time in this environment, this is why gathering a lot of means to reach the goal might lead to a waste of resources if the goal changes, so the entrepreneur tries to exert control over the available means (Sarasvathy, 2001; Fisher, 2012) and allows goals to emerge and change. It should be emphasised that effectual processes do have a predetermined goal, but this goal has a flexible nature and allows the entrepreneur “to create one or more possible effects irrespective of their original goal and to therefore change and shape their goals over time” (Pfeffer and Khan, 2018, p.28).

Developed by Ries (2011) for startups dealing with conditions of high uncertainty, the approach of learning through experimentation and iterations chimes in with the effectual approach.

The means of firm include physical, human, and organisational resources (Barney, 1991; Fisher, 2012).

Effectual entrepreneurial outlook does not think that the market needs to be taken as given and that an opportunity gap in the market needs to be discovered. In the effectual entrepreneurial view, it is the entrepreneur who influences his environment through the means that he has at hand; he gets feedback from the environment, and if the environment's response is positive, the entrepreneur follows along, if the response is negative, he iterates (Welter, Mauer, and Wuebker, 2016).

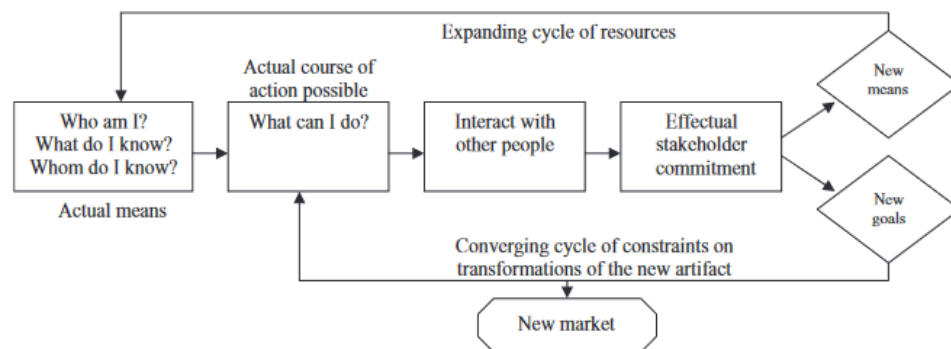


Fig. 4. Effectual approach to entrepreneurship (developed by Fisher (2012))

There is an argument whether pure means-driven decisions exist. A quantitative study by McKelvie, Haynie and Gustavsson (2011) showed that entrepreneurs are “reluctant to act when the consequences of their actions cannot be predicated or evaluated”. Causal goal is the one, which can be immediately translated into sub-goals and enacted (Dew et al., 2008). If such a specific goal as to make \$20 mln by age 35 looks specific, there has to be a plan how to reach it. Then we can name this goal causation-based. Predetermined goals exist in effectual approach (Pfeffer and Khan, 2018), but, firstly, they start as not specific, secondly, they are not set in stone and are flexible allowing the entrepreneur to create one or more possible effects even diverging from the original goal; also, goals are rather developed in interactions with other stakeholders. The goal gets then more and more specific. In organisational activities, if the manager passes a goal over to employees, this yet does not constitute a causal approach; we will need to look at other aspects surrounding the actions: is there a plan, how changeable it is, is it driven by expected return or affordable loss. Another question is whether we need to look for all the principles to match an action with causal or effectual logic.

Although effectuation is often analysed as a set of principles, studies have shown that even if there is evidence for not the full set of principles, the studied actions still remain representative of effectual reasoning (Welter, Mauer, and Wuebker, 2016; Jiang and Ruling, 2017). Wiltbank et al. (2006) skipped the crazy-quilt and pilot-in-the-plane principles; in another study they also focused on studying of solely non-predictive control of the pilot-in-the-plane principle (Wiltbank et al., 2009). Chandler et al. (2011) and Brettel et al. (2012) skipped the pilot-in-the-plane principle. Fisher (2012) in his analysis has not identified clearly the principle of affordable loss, which did not inhibit to refer events to one of the two logics. Some researchers skipped some other principles in their research. For

example, Berends et al. (2014), in the analysis of effectual tactics used, focused primarily on whether the actions were resource-driven (effectuation logic) or goal-driven (causation logic).

Effectuation and causation processes may be viewed from the level of entrepreneur, which emphasizes effectual behavior of the entrepreneur, and from the firm level, which emphasizes effectual behavior of employees. A thorough overview of the entrepreneur's perspective provide Dew et al. (2008); based on them, we present concise description of the sequences of actions, which an effectuator undertakes.

1. *Beginning with means.* The effectuator considers *Who he is* (his traits, abilities and attributes), *What he knows* (his experience and expertise), *Whom he knows* (his social network). He asks what effect he can create given these resources.
2. *Courses of action.* The effectuator looks at the means and imagines possible actions. The consequences of these imagined actions are mostly unpredictable. He evaluates imagined actions based on how much the firm is willing to lose if these actions fail.
3. *Stakeholder interactions.* He approaches other people with the proposed idea of actions. If some people are willing to commit something to his venture, they become stakeholders who co-determine the next courses of action. Stakeholders may set new sub-goals and agendas. The market is not yet made. So, as the stakeholders face unpredictable consequences, they also commit based on what they can afford to lose. Every individual stakeholder's focus is on what *can* be done (not necessarily what *should* be done), given their means of who they are, what they know and whom they know. The process of interactions between the stakeholders lies in the core of the effectuation process: from interactions it starts, in interactions it proceeds.
4. *Two concurrent dynamic cycles.* Stakeholders compare their aspirations and abilities and debate the possibilities that they imagine. Then they start negotiating the features of the venture: they do not discuss the potential returns of the venture, they discuss how it may look like, its content based on what can be done. From this point on, the two cycles are set in motion: the resources from the stakeholders start to grow (*cycle 1*), and goals start to be increasingly specified as to the imagined artifact (*cycle 2*). So, ends depend on the actors which were involved in the venture.
5. *Co-determination of effectual network and artifact.* When the stakeholder makes commitments to particular transformations of the venture, this moves the formation of the goal further. This makes the venture co-determined.

The concept of *effectuation at the firm level* was developed by Werhahn et al. (2015):

Effectual orientation of the firm which reveals entrepreneurial decision-making among employees was allocated along five dimensions: means orientation, partnership orientation, affordable-loss orientation, contingencies orientation, and control orientation. Effectual orientation encourages effectual actions of employees, which are described below.

Means orientation at firm level implies that the entrepreneur encourages employees to use all relevant means at hand to fulfil company aspirations, small or large. The entrepreneur tries to leverage the knowledge, experience, skills and networks of employees as means of the company. For that, the entrepreneur would encourage employees to engage in those activities to which they have motivation and competencies.

Partnership orientation. Entrepreneurs create corporate culture which allows employees to co-create the future of the company together with partners. Employees perceive new actors in the market not as competitors, but as potential partners. Entrepreneur encourages employees to identify those partners who will be willing to commit before the new product, service or market has been created.

Affordable loss orientation. Entrepreneur encourages employees to base their decisions about which initiatives to pursue basing on the affordable-loss principle. This means that employees are urged to invest effort and resources not based on the highest return, but on decreasing downside risk. Those initiatives are preferred where there is a return and the potential loss is affordable rather than initiatives where the potential return may be higher, but the potential loss is not affordable.

Contingency orientation. Entrepreneur encourages employees to continuously make rapid and creative changes when new important information comes in. Employees are encouraged to creatively and effectively decide how this new resource can be leveraged.

Control orientation. Entrepreneur encourages employees to exert shaping influence on environment attempting to co-create future markets, future demand, influence trends.

Werhahn et al. (2015) conclude that "[o]verall, a firm where managers emphasize effectual orientation as a strategic direction leverages the individual means base of its employees, actively crosses its boundaries in seeking partnerships at eye level, moves its focus from 'old' research knowledge to 'fresh' contingency-based inputs, encourages its employees to make their own decisions with their firm's level of risk in their minds, and looks upon the future as undefined, but therefore shapeable" (p.4). As phrased by Read and Sarasvathy (2005), effectuation is enactive and exaptive whereas causation is reactive and adaptive.

2.2. Combination of effectuation and causation

Although we previously showed evidence that effectual approach is beneficial to new venture creation, there is also profuse evidence that planning (representing causation) new ventures is also beneficial (Brinckmann, Grichnik and Kaps, 2010; Chwolka and Raith, 2012; Gruber, 2007).

There is also evidence that causation and effectuation logics are used in combination. This has been shown by a number of researchers (Smolka et al., 2018; Sitoh, Pan and Yu, 2014; Reymen et al., 2015; Nummela et al., 2014; Maine, Soh and Dos Santos, 2015; Evald and Senderovitz, 2013; Brinckmann, Grichnik and Kaps, 2010).

Berends et al. (2014) suggest that effectuation tends to exist at early stages of the venture, while causation grows in importance at later stages. Inexperienced internationalising firms start international expansion effectually and, having received international experience, switch to causation (Kalinic, Sarasvathy, Forza, 2014). Reymen et al. (2016) confirm that the identification of a viable value proposition at early venture stage is better done with effectual approach, and once the value proposition has been proved viable, causal approaches can be brought in; otherwise, too early application of causation (while value proposition is not yet confirmed by actual demand and sales in the market) may lead to failure. This has earlier been shown by Read and Sarasvathy (2005), Wiltbank et al. (2006). Application of effectuation has been found to be successful in angel investing (usually

happening at early startup stages): principle of effectual control (rather than predictive approaches) allowed angel investors to failure less without experiencing fewer successful startup homeruns (Wiltbank et al., 2009). Welter and Kim (2018) argue that effectuation generally outperforms causation, until it becomes possible to correctly predict over 75% of future decisions. At the same time, the research in project management shows that when innovativeness of the project is low or medium level, there would be a lower impetus to experiment and apply effectuation, causation will be likely to dominate; in projects with high level of innovativeness, effectual logic will be used (e.g., deciding whether a technological solution can be used to create a product) (Nguyen et al., 2018).

Reymen et al. (2015), in an earlier study, not only show that a more flexible (effectual) decision-making at early stages of the venture tends to transition to a more planning-based (causal) decision-making as venture matures, but that effectuation re-occurs at later stages in cases when resources become insufficient, and the firm needs resourcefulness to find a solution to this problem, e.g., to find new customers, new markets, new application of the product. On the contrary, the pressure of stakeholders (e.g., VCs) to move away from focus on exploration of opportunities to a more defined and planned strategy pushes the firm to causal decision-making. Thus, the factors affecting the choice of effectual and causal logics are degree of uncertainty, resource position and pressure of stakeholders.

Brinckmann, Grichnik and Kapsa (2010) suggested that planning (which represents causal logic) evolve based on feedback from environment (which represents effectual logic). Particularly, the authors suggest that “both planning and execution should be carried out simultaneously. Long pre-planning activities detached from market interaction and feedback appear detrimental. Planning and execution can be concurrent activities that are orchestrated to provide positive feedback-loops.”

Sitoh, Pan and Yu (2014) find that at a startup developing its product, effectuation and causation can exist at the level of business model and the tactics level. Business model and tactics co-exist in four configurations throughout the product development cycle. The conceptualisation stage of new product development starts with effectual business model and effectual tactics. Then business model and tactics diverge: business model pertains dominant effectual decision-making: it remains to be broadly defined and open to reconfiguration coming from contingencies. While tactical actions become causal: tactical actions become systematic to gain knowledge about new work processes, new markets, new technologies. This newly gathered knowledge may trigger the reconfiguration of the business model. Further, both the business model and tactics become causal. Accurate predictions of the market guide the tactics and finalize the design of the business model. At the final stage, business model remains rather stable and causal, while tactics become effectual: “Typically, tactics involve external parties using effectuation principles, such as precommitment and strategic alliances” (p. 222).

Smolka et al. (2018) basing on Brinckmann, Grichnik and Kapsa (2010), conclude that the relationship between causation and effectuation may be *concurrent, sequential and recursive*. The differences between them provided below are gleaned from Smolka et al. (2018), although the authors themselves did not link their examples and descriptions to each of the three combination types, because it was not their purpose in the research. We did this linking ourselves.

Concurrent combination.

Business tasks are approached by using both causation and effectuation in tandem. For example, goals and plans (causation) establish boundaries broadly, so concurrent effectual experimentation or exploration of wider range of options may be possible within the set boundaries (Reymen et al., 2015). Another example of concurrent combination implies a long-term goal (representing causation) which allows making short-term experimentation (representing effectuation) within the long-range time frame (Frese, 2009). The venture may develop on the means-based approach (representing effectuation), but the set goal (representing causation) establishes the growth ambition to which the venture reaches (Frese et al., 2007). The venture may be proactively forming partnerships to decrease uncertainty (representing effectuation), but formal planning (representing causation) can help sharpen the focus of the efforts (Rothaermel and Deeds, 2006). The firm may leverage the new contingent situation creatively (representing effectuation), which will not disturb the established long-term goals (representing causation) (Zheng and Mai, 2013). Alternatively, action plans (representing causation) may be elaborated, but never even put into a written form or ever formally enacted, but the planning activity itself might be beneficial for clarifying vision even if the effectual approach is applied (Frese and Gielnik, 2014).

Sequential combination.

Effectual and causal approaches may be chosen to best respond to the situation: in cases of heightened uncertainty the switch to effectual decision-making might be preferable (Nummela et al., 2014; Reymen et al., 2015), and as the situation gets to normal predictability, there is a switch back to causal decision-making.

Recursive combination.

The decision maker applying recursive combination is mentally prepared and willing to alter and adjust plans based on the feedback from environment. Plans can be used as “a guideline that can be deviated from, while still providing an underlying structure, when new information creates awareness about and access to new opportunities” (Smolka et al., 2018, p. 579).

Smolka et al. (2018) proposed an approach of a “planning effectuator” according to which planning maps the general direction where the firm is going (representing causation), while experimenting with the product based on the means at hand (representing effectuation). For example, the producer has a production plan for the next year (representing causation), but the features of the product are being changed based on the customer feedback (representing effectuation).

Smolka et al. (2018), based on their quantitative study, found that affordable loss principle of effectuation did not lead to an enhanced venture performance. They suggest that the affordable loss principle may be beneficial at experimentation stages of an early venture to decrease risks, but at growth stages, profit forecasts and deliberate sales planning are suggested. Especially, in cases of persuasion of investors (Fisher, Kotha and Lahiri, 2016).

Berends et al. (2014), in the processes of product development, identified that some events were effectual, some causal. There were events when firm’s resources formed innovation strategy (effectual event): e.g., the event started when some resources were offered for a design workshop, or when there was a shelved product some engineer tinkered on in his spare time; and these resource-driven events (representing effectuation) led to new ideas, and goals crystallised over time. And once goals became mature, these goals started causal events: resources were invested to pursue these goals

(causation). There were also events when goals formed innovation strategy (causal event): e.g., when a door-closing problem experienced by the firm's lead customer instantly formed the goal to find the solution to the door problem; and resources were invested to pursue this goal. In this research some companies tended to have more resource-initiated events, while others had more goal-initiated events; authors found that the whole process could not be attributed to either causal or effectual, because both logics in product innovation processes were interwoven. But the general trend was that product innovation would start as resource-based (representing effectuation) and would increasingly turn to goal-based toward the end of the project (representing causation).

In the corporate context, an entrepreneurial approach to management can come handy especially when the firm finds itself in situations of high uncertainty, when "change is frequent and the outcomes of these changes are not predictable or knowable a priori" (McKelvie, Haynie and Gustavsson, 2011, p. 276). As was found by Nummela et al. (2014), the decision-making of born global firms was alternating based on unexpected events, which change the degree of uncertainty in the market, in technology, etc. The higher degree of uncertainty triggers effectuation logic. Additionally, it is suggested by academic research that entrepreneurial orientation in a firm should not be occasional or tied to the company's early formative stages; rather it should be regular and systematic (Ireland, Covin, and Kuratko, 2009; Smith and Gregorio, 2000); for corporate entrepreneurship to become routine, pro-entrepreneurship organisational architecture needs to be established in the firm.

Given that born globals are entrepreneurial firms which need to be innovative and grow rapidly, we may expect that born globals may use effectual approach for experimentation and innovation, and they may use causal approach for establishing company's ambition for growth or securing investment. Thus, we can expect co-existence of both effectuation and causation. Hence, we can aver our first proposition:

Proposition 1. Born global firms apply a combination of causal and effectual decision-making.

Reymen et al.'s (2015) study argued that *environment* played a big role in the choice of effectual or causal logics: when the scope of firm activities widened, then market uncertainty increased and the firm resorted to effectuation; on the contrary, when the scope of activities narrowed, this led to a particular goal formation, then market uncertainty was perceived to be low, and causation approach was used. From Pfeffer and Khan's (2018) findings emerged that it was not environment that determined which of the decision-making logics was to be used by the firm, but the subjective opinions of the entrepreneur and the firm. Bearing Pfeffer and Khan's (2018) findings, we, however, take into consideration the international nature of born globals and the strong impact of environment, and we aver our second proposition.

Proposition 2. The combination of logics in born global firms is predicated by changes in endogenous or exogenous environment.

For new venture teams operating at early stages, it was found that the four major types of *shared leadership* (directive, transactional, transformational, and empowering) were positively related to firm's growth, whereas only two types of *vertical leadership* would be appropriate (directive and transformational) (Ensley, Hmieleski and Pearce, 2006). Vertical leadership implies influence of the leader on team processes; in contrast, shared leadership implies that leadership is conducted by the

team as a whole, not solely by one leader. *Shared transformational* leadership implies that teams engage in this type of leadership through the “creation of a shared strategic vision or by inspiring one another to challenge existing industry standards and norms to create break-through products or services” (Ensley, Hmieleski and Pearce, 2006, p.220). Finally, *shared empowering* leadership in a team may appear like “peer-based support and encouragement of providing self-rewards, viewing personal obstacles as opportunities to learn or engaging in teamwork and participative goal setting with other members of the team” (ibid.). Ensley, Hmieleski and Pearce (2006) argue that vertical leadership is crucial at pre-formation stage of the venture when the leader needs to get the venture started, whereas when the startup already gets rolling, it becomes not feasible for the leader to carry all duties alone, and shared leadership becomes important. Thus, shared leadership (of all four types) in the startup team was found to be efficacious *in the growth stage* of the venture. Shared leadership results from effectuation logic (Hubner and Baum, 2018) (see Fig. 2); effectual entrepreneurs allow other stakeholders on board to determine which goals to pursue (Dew et al., 2009).

In regards to employees in general, it was found that, in entrepreneurial firms, employees work in closer contact with the entrepreneur than in established firms (Vecchio, 2003). Democratic decision-making, teamwork, shared leadership and delegation are used in entrepreneurial firms, to help entrepreneurs leverage distributed expertise (Jones and Crompton, 2009).

Employees who were hired by the company at the earliest stages, work closely with the founding team, perform in many overlapping functional roles and are more integrated into the workgroup with the founding team (Chen, 2013). Thus, early employees may be expected to resemble the decision-making logic of the founding team. In the early stages of entrepreneurial firms, the roles and tasks are yet not defined (Hayton, 2003); employees of entrepreneurial firms are required to think independently and work creatively (De Jong and Hartog, 2007); often, employees need to define their tasks themselves (Cope, Kempster and Parry, 2011); the skills and knowledge, which will be required from employees as company grows, are not yet clear (Ardichvili et al., 1998).

Entrepreneurial firms thus can be characterised by having a more dynamic work environment than that in established firms (Katz and Welbourne, 2002). The more an entrepreneurial firm becomes an established firm, the more it incorporates bureaucracy, legal terms, routines, customs etc. These conditions may inhibit effectual processes, which require flexibility (Chandler et al., 2011). As the company deals with financial institutions, formal processes start to be increasingly required (Fisher, Kotha and Lahiri, 2016). More predictive environment decreases the need for effectual processes. Although it should be noted that startups of the age of 4 to 8, still could hold to effectuation approaches (this study did not explore born globals, though) (Pfeffer and Khan, 2018).

Given all aforementioned, we set out two more propositions:

Proposition 3. The logic in born global firm at the stage of earliest employees is similar to the logic at the stage of the sole founding team.

Proposition 4. The combination of logics in born global firm at the stage of late employees is different from the combination of logic at prior stages.

3. Methodology

In chapter 1, in the problem analysis of born global firms, we employed effectuation theory to set out to explore how effectual and causal decision-making are allocated between the entrepreneur (or the founding team) and the company's employees. Within effectuation theory framework, we identified the knowledge gap.

The knowledge gap we see is the following: we do not know what are the patterns of allocation of effectual and causal logic among entrepreneurs and early and later employees in born globals.

We then formulated our research question.

The research question is thus: How effectual decisions are allocated between entrepreneurs and employees at the earliest and later stages in born global firms?

To study the construct “*effectuation allocation*”, we had to operationalise it. Based on the study of the relevant theory where we used multiple data sources, we set out four propositions:

Proposition 1. Born global firms apply a combination of causal and effectual decision-making.

Proposition 2. The combination of logics in born global firms is predicated by changes in endogenous or exogenous environment.

Proposition 3. The logic in born global firm at the stage of earliest employees is similar to the logic at the stage of the sole founding team.

Proposition 4. The combination of logics in born global firm at the stage of late employees is different from the combination of logic at prior stages.

For research model see Fig. 2.

For empirical studies, we opt for qualitative research (Miles, Huberman and Saldaña, 2014) and follow the interpretivist paradigm, which presumes that reality is constructed through the meanings and understandings, which are developed socially and experimentally (O’Leary, 2014). For understanding complex and context-specific issues, the qualitative research design is often used, especially case studies, which are highly represented in the study of born-globalness (Rialp, Rialp, Knight, 2005). Case study can be used to test theories (Anderson, 1983; Pinfield, 1986).

Inductive approach of qualitative research involves making observations from raw field data, indentifying patterns, making analytical generalisations (in which empirical results of the case studies are compared against a previously developed theory) and then offering an explanation or theory (O’Leary, 2014, p. 130). Qualitative research is employed in order to go into details in the company’s history to try to detect at which point in time changes in logics shifted. The existant quantitative instruments are appropriate for taking a snapshot of the company’s logic in general, not for capturing such nuances as changes of that during the firm’s history.

A single case-study study with purposeful sampling (Cresswell, 2013), which aims to search for information-rich cases that help extend theory, was carried out. A single-case study provides deep contextualisation, thick and rich descriptions (Piekkari and Welch, 2011, p. 186). The search of the case company was limited to born global firms formed in Belarus which have at least 25% share of international sales within 3 years of operation and have at least two employees dealing with foreign markets. The case company was also sought to qualify as *instrumental* (Cresswell, 2013), which

implies that it allows to understand the specific studied question. The company Pandadoc was chosen. Specifically, the company, although yet being considered an SME in the United States is rapidly growing and may soon outgrow its SME status; and Pandadoc allows to trace the decision-making logic when the company is yet small, and when it gets ready to become a large company. We were able to negotiate participation of the founder and CEO of Pandadoc and one employee, an engineer. The company initially formed in Belarus and still has the majority of its employees in Belarus. In 2013, the company branched out to San Francisco, California, The case company also has an *intrinsic* value (Cressewell, 2013), which means that it provides interest in and of itself as it is a unique Belarusian company making a SaaS product popular in English-speaking world. Hence, the instrumental and intrinsic values of the case company, justify choosing it for this research.

For empirical research, we are using a semi-structured interview with the entrepreneur and triangulate the data with one employee, and with the information available online (Gioia et al., 2012, p. 18). Narrative analysis of the entrepreneur and an employee is chosen as the methodological approach in this study.

In this study we explore two units of analysis. Our first and main *unit of analysis* is concrete decision, and the *level of analysis* is the firm. However, we also additionally take the *unit of analysis* as the general firm orientation towards one of the two decision-making logics, and the *level of analysis* here is the organisation at a given point in time. Using two units of analysis we can look at the discrete decisions and the general background. Single decisions are more likely to emerge as two separate logics of either effectuation or causation, whereas the general orientation consists of both causal and effectual decisions, so general orientation may not emerge purely as either effectual or causal. The analysis of general orientation is used in the research to look at the general orientation of the researched company in its earliest stage and the later stage and compare them. At the same time the general orientation is traced through concrete decisions studied. The general orientation characterises the most general decision-making behavior in the firm.

We treat effectuation theory as a process theory, hence we are interested in the “*how*” questions primarily: how the process is done. We take a “*what did you do?*” lens in the research to better understand actions taken by the entrepreneurs, which is especially appropriate for qualitative analysis and case studies, in particular (McKelvie et al., 2019). We do not overview effectuation theory as a variance theory and thus we do not seek to explain why things play out as they do over time, why effectuation/causation happens and what it impacts (McKelvie et al., 2019). Variance research is very nascent in the effectuation theory and only tentative attempts have been made in this direction.

We developed the Case Study Research Protocol for conducting a semi-structured interview (see Appendix). The questions were borrowed from Fisher (2012); Matalamäki (2017); Kalinic, Sarasvathy, Forza (2014). We did not keep strictly to the formulated questions or their order, we kept the conversation natural trying to cover the key ideas formulated in the questions.

After conducting two conversations, we started the transcription and comparative analysis in MaxQDA. We will be making and discussing our *analytic generalisations* developed on the collected data (statistical generalisations are impossible in a single-case study).

To ensure *reliability*, we will explain explicitly all our actions that were undertaken, the presented information will be reviewed by the interviewees (Yin and Campbell, 2018).

To ensure *construct validity*, we combine instruments developed and tested before by Fisher (2012); Matalamäki (2017); Kalinic, Sarasvathy, Forza (2014). The limitation should be considered that we use several instruments. Thus, the construct validity has not been tested in use of the combination of these instruments. As the research on employees is yet very scarce and recent, this limitation we take as acceptable. Also, to insure construct validity, our study maintains the chain of evidence (Yin and Campbel, 2018) from problem analysis to research gap, research question, theory building, construct operationalisation through propositions, data collection process description, case analysis and discussion of the results.

To insure *internal validity*, we will be looking for patterns and matching them, do explanation building, address rival explanations.

As to *transferability*, these findings are not statistically generalisable. We provide a thick description of details to describe the context of decisions for the reader to accurately understand the nuances of the context of the case firm.

Methodological limitations

A single-case study obviously does not allow for statistical generalisation from the findings. We had no opportunity to triangulate data with employees (Gioia et al., 2012, p. 18)

3.1. Data collection

We had a list of ten companies suitable for investigation, two companies agreed that they could participate. Pandadoc was one of the two companies, and it could participate right away. The second company offered to conduct the interview in May. We stopped on the case of Pandadoc, which also was one of the most instrumental companies from our short-list. When we contacted Mikita, the founder and CEO of Pandadoc, he agreed to participate in the case study. We showed him our interview protocol.

Researching decision-making logics is a challenging undertaking, because interviewees want to conduct the study as quickly as possible, but investigation of the logics in decisions requires many clarifying questions, and may perplex the interviewee. Interviewees may communicate their personal bias. Distortions may come from how the interviewee recalls events and what s/he omits. Ergo, we tried to triangulate the data by using narration by one employee and employed information sources about the company available on the internet and the company's website. Triangulation based on employee narration has been found very important having provided data from the other operational level. Using interviews to analyse the logic of strategic decisions is possible (Larimo, 1995), it is best to ask people who were involved in making strategic decisions themselves (Mintzberg, Raisinghani, Theoret, 1976).

The description of the case company is provided in Table 4.

Table 4. Case characteristics

Company	Industry sector	Year of establishing	Period covered	Revenue	Employees	Export, %	Number of interviews
Pandadoc	Software product development	2011	2010-2021	\$35 mln	450+	As a Belarusian company: 100%. As an American company: 40%.	2

4. Findings

Pandadoc, in their business field and 450+ employees, by qualification of the US Small Business Administration is an SME (NAICS Code 443143 “Electronic Stores”), thus it qualifies to be considered a born global. Based on the interviews with the founder/CEO and one employee (engineer), we further provide the description of Pandadoc’s initial development and internationalisation model, and then, according to the research model (see Fig. 2), we describe and provide analysis of the aspects of Pandadoc’s leadership style, decision-making logic, early and later employees. In the discussion section we provide theoretical analysis of findings.

4.1. Company development

Mikita Mikado is the founder and CEO of Pandadoc. The foundation of Pandadoc preceded some history. While Mikita was studying computer science at a Belarusian university, he went to the US by Work and Travel program where he got a job to flip burgers in a restaurant in Hawaii. Soon after arriving in Hawaii, he made some bulletin board ads offering website development service. He got some clients and started to design websites alongside the main job. He partnered with his friend Sergey Barysiuk (future Pandadoc co-founder), who was in Belarus, on a few website development projects. The orders came from Hawaiian local customers. When the volume of projects got high enough, he started contracting people.

At some point, Mikita and his partner built a couple of extensions to a content management system. These plugins started selling through the marketplace without any other additional effort on Mikita’s side. He realized that these extensions could be significantly more scalable than website design efforts. That was after two years after Mikita moved to Hawaii that he decided to go back to Belarus in 2007 and start a company *Coding Staff* with Sergey Barysiuk, his partner. The company specialised in building extensions for that content management system. Mikita hired his former classmates with whom he studied at the university in Belarus (Mikita studied remotely Computer Science in Belarus while he was also studying in a college in the US). The investment in the new company was around \$20K which he has saved from his freelance website building projects.

“We started a company which specialized in building those extensions and then driving business through the extension. It was a niche. We had clients like Microsoft or the government of Montenegro”.

They focused on the niche of extensions for a specific CMS. Chetty and Campbell-Hunt (2004, p. 63) argued that for born-globals “both the focus and the pace of internationalisation are dictated by competitive imperatives to seize a leading position in the niche or emerging markets”. They were able to build extensions, which were global from the outset. This was not yet their own product, these were plugins for the other product, but the market was international. Many researchers have argued that born global startups need to have prior international experience (Zuchella, 2005; Karra, Phillips, and Tracey, 2008; Gleason, Madura and Wiggenhorn, 2006), and this holds true for Pandadoc where *Coding Staff* enabled the founders to tap into the international business arena.

The business was run for eight months from a one-bedroom apartment rented from a relative. Mikita slept in the same room where the company had desks. One engineer slept on an inflatable mattress

and lived in this apartment. They gradually improved their working conditions. The work was hard, but everybody had great fun.

In four years, the company started to see that the ceiling was coming. Their 400 extensions had to be revised after any changes would be made by the CMS.

“Twice a month our entire company had to wake up in the middle of the night to put up a bunch of fires”.

So, the company relied on external partners to fix issues arising after the CMS update, and the partners did not always do a great job. Having worked for the initial idea for a while, they decided to find some other direction to go.

“It was a high stress business, we were not learning, we were not growing, so we decided to find a new management for this business and move on and do something bigger, greater and more interesting. We got inspired by the company *37 Signals* from Chicago. I was reading their book “Rework”, and I wanted to build something similar: the software that we can control, not someone else, that is delivered over your web-browser. The term SaaS was big in Belarus at the time. That is how Pandadoc’s predecessor *Quoteroller* came about”.

They wanted to make that transition from being dependent on another company to being independent. They had 35 employees at the time. Not all the employees came to the new company, the majority of employees remained in the first company, because the new product was built on a different technology stack, so Mikita had to hire other people. To switch over to the new project completely, he hired a new CEO.

“We were pretty clueless of what we were doing. We hired a CEO for this company. With him, we went from 30% profit margin to 30% loss in a year. The team was very frustrated with what was going on, because we had all worked our asses off to get the company up and running”.

The CEO was fired and the first company was eventually sold to employees.

“So, what we did afterwards, we fired the CEO and we offered employees to take over the company. We sold the company to two of our former employees, sold it for very little. I think it was the right thing to do considering that these guys helped us build this business, they put sweat, blood and tears in it, and when management things went pretty sideways, we wanted it to exist, you know, to be alive.”

After people have made some money, they may want to save it all and might be scared to invest it in something risky, but Mikita was willing to put this money into a business.

“When we started Pandadoc, we invested close to \$200K. At the time we were sitting in a nice office, it was more professional. We invested a lot, but retiring was not our goal, the goal was kind of to learn to make some kind of impact on the world, on the people around us, on ourselves, and also have fun. So yeah we decided to take on a new challenge”.

Pandadoc’s business idea became to create a service for signing, sending, tracking of sales collaterals, quotes, contracts, proposals.

“We converted document and sales proposals which were paper or pdf into a web application because we believed documents might be much more functional than they used to be”.

Pandadoc has a direct competitor, DocuSign, but they solve similar tasks differently.

“Unlike competitors, we do not use pdf, word, we are different from DocuSign (our main competitor), just as Google Docs is different from Microsoft Word. We’re a product for product teams. DocuSign followed the path of signing pdf, our document is essentially a website”.

From that point on the story of Pandadoc starts.

4.2. Internationalisation

It took Pandadoc a long start, 1.5 years to build the product, but after 1.5 years, their revenue started to grow. All the sales were from foreign markets at inception, which defines the company as a born global: “small, technology-oriented compan[y] that operate[s] in international markets from the earliest days of [its] establishment” (Knight and Cavusgil, 1996, p. 11), so Pandadoc fits into the strictest definition of a born global done by McKinsey & Company (1993), which restricts internationalisation time to two years after inception. Pandadoc is also a highly-specialised company (offering a product for sales teams), which is a characteristic of a born global (Aspelund and Moen, 2001), and highly-specialised companies in small countries can be expected to follow international niche focus strategies (Moen, 2002).

“It took us 1.5 years to build the product, optimize the site for search engines and learn how to launch ads, before we started making little money. For the 19th month we were paid \$500, for the 20th month - \$1000”.

“We were doing something like \$5K per month in return revenue by the time. And \$5K quickly became \$10K, \$15K, \$30K and so on and so forth. We made around \$200K the second year, and close to a million dollars in the third year. When revenue started to kick in. We raised money, we raised \$650K. So things got a lot easier”.

However, as the firm started earning around \$20K per month, Mikita understood that, for the sake of future growth, it was time to move to the US “*to walk with his feet and sell it directly*”, because scaling the venture seemed to be impossible without branching out overseas; this could be explained by the updated Uppsala model by Johanson and Vahlne (2009). The goal of Pandadoc in its internationalisation strategy was to get a valuable “insider” network position in their biggest market, the US market. Mikita saw no other way of how to get an insider position: linking with partners for a small unknown company was impossible, so he decided to bypass the intermediaries (partner companies) and develop relationships directly with customers being physically present in the US market. And as the business is being built, he could try to secure partnerships. Scaling the business is the right move for a born global, as literature suggests: Kuivalainen, Saarenketo and Puumalainen (2012) found that if an internationalising company has international revenue share below the 25% cut-off point or has less than five international markets, it has greater chances to cease to exist. If Pandadoc did not scale rapidly in their potentially growing market, the company could be perceived as dabbling in the internationalisation and would not be perceived as a credible operator (Kuivalainen, Saarenketo and Puumalainen, 2012) and could also cease to exist. Autio, Sapienza, Almeida (2000) found greater mortality rates in international new ventures and suggested for firms not to skip growth stages, but move rapidly in a gradual approach. Thus, scaling the business was then a necessity and the right move on the founders’ side.

“When we were like \$20K in monthly return revenue growing at like 10-15% a month, it was clear that there is a market, there is a use case that we can streamline that quote-to-cash workflow, that we have a very unique and interesting approach at solving a bunch of problems with the quote-to-cash workflow. Then we saw that there is a path to a hundred million dollar business. This is when I packed my suitcase and moved to the US. We were 2 years when we earned \$20K a month”.

“I was excited about going back to America. I wanted to create something that could create an impact”.

Mikita defends the view that a global company needs to have an international, global vision at the very start, which was argued by other researchers as Moen (2002), Kundu and Katz (2003). Pandadoc required a market where e-signature was legally significant and the selling culture was developed enough. So, they never sold to the local Belarusian market where e-signatures are not legally significant. But Belarusian market is also very small for many hi-tech firms; as offered by Madsen and Servais (1997), firms in nations with small domestic markets have a higher propensity to become born globals than firms in nations with large domestic markets. Mikita explains that going global from the start depended on the small scope of domestic market. Also, Mikita emphasises that the culture of global-orientation of the team and employees is crucial to guide the company to foreign markets, all employees need to be globally-oriented at start so that they were focused on utilising emerging windows of opportunities in global markets. If the firm does not get such employees, it will be too hard and costly to turn the firm to the global orientation. A born global can get 'locked' in localness if it chooses the local mode at its formation (Moen, 2002; Madsen and Servais, 1997, p. 573); the firm then becomes path-dependent on its initial choice of being local, and gradual internationalisation may not even be possible (McDougall, Shane and Oviatt, 1994, p. 470). On the contrary, rapid internationalisation allows to adapt to the international business environment from day one. Mikita himself had a global vision at the very start, which is typical for born global founders (Moen, 2002; Karra, Phillips, and Tracey, 2008). This vision guided him to develop a global product in the first place; had he not such a global vision, Mikita could have been satisfied with a product for the domestic market. But he intentionally chose international orientation of his business.

“We immediately began to focus on the US market, since the US GDP is more than 3500 times higher than that of Belarus”.

“It is best to think about entering international markets in advance, as redesigning the product will be difficult, and especially the culture of the company will be difficult to remake. Your team simply won't have the required preparation for entering international markets. I have often seen entrepreneurs succeed in the local market, buy apartments and German cars and then being reluctant to enter international markets and remake themselves and their company culture”.

There were several reasons to go to the United States to start selling from there: English-speaking countries became their primary market because e-signature was legally significant in these markets. The issue was that working from abroad, the company did not get enough trust from American customers. As Mikita explains that to expand the market while working in *online sales* (it is when leads are generated through the site and salespeople call hot customers) was not enough. They needed *field sales* (it is when your salespeople drive or fly to meet up with customers) or *inside sales* (it is when salespeople sell by directly contacting customers via LinkedIn, email). Their business model required subscription with monthly payments, and Pandadoc just could not earn enough trust from customers in the US market while they applied online sales. Young companies that lack name recognition, suffer from the liabilities of newness and legitimacy (Aldrich and Fiol, 1994). In order to get an insider position in the foreign network, building trust is essential as one of the preconditions for internationalisation in the updated Uppsala model (Johanson and Vahlne, 2009). When Mikita

flew over to the US, he was able to build a higher trust in the company, which led to success of the internationalisation effort.

“Entering the US B2B market having an accent is incredibly difficult. The sales I closed were super small. The level of trust is very important. Although it was very ineffective, I did it. When I came to America, the average check increased and transactions were completed faster”.

Mikita finds having a wide network of contacts necessary for growth. Internationalisation depends on the firm’s relationships and network (Johanson and Vahlne, 2009, p. 1425). International networks enable born globals to achieve global reach quickly (Chetty and Campbell-Hunt, 2004; Rialp-Criado, Galván-Sánchez and Suárez-Ortega, 2010). To carry out a successful network entry, the firm needs to get involved with channel members (Freeman, Edwards, Schroder, 2006). For an outsider, it is important to get partners who have strong position in the network. If partnerships are impossible, another possibility is to approach customers directly, but to earn their trust, Pandadoc improved its insider position by establishing the company’s presence in the US.

“It is the good network that you have initially that is important both for finding the first clients and investors. You need to have those who can introduce you to someone and vouch for you. Although this is not always possible, then we do direct sales: if you write short and clear messages on LinkedIn, you can reach a 10% reply rate”.

At the early internationalisation stage, a big partner for Pandadoc was Hubspot CRM, with which Pandadoc was integrated. HubSpot is a big, world-known company. HubSpot at some point drove 24% of Pandadoc’s sales. However, this dependence has never been too significant (or Mikita wanted to intentionally put down for the public the dependence on one key partner), and the dependence eventually decreased through company intentional effort. This links to the Gabriëlsson et al.’s (2008) three phases of born globals’ growth where, in the third (final) phase, the born global needs to break out from dependence on its big partner, otherwise the born global faces a risk to become a small satellite in the network of its big partner. At this phase, it is decided whether the born global will grow into a bigger independent company. That is why Mikita never agreed to say that Pandadoc was dependent on HubSpot, but always tried to belittle in talks and decrease by real effort HubSpot’s influence on the firm, because he understood the bad implications of dependence on one partner which could ensue.

Today Pandadoc helps 26K+ businesses to streamline their work with sales proposals, contracts and other transactional documents. There are 450+ people in the team with the majority residing in Belarus. The company is more than 10 years old, Pandadoc is the second product the company made. Compared to their main competitor DocuSign, they are small. However, Pandadoc is getting ready to break out from being an SME and will turn into a large company soon. Their growth is yet on the way, because only 2% of the global electronic signature market is taken. Our analysis captures Pandadoc on the edge of becoming a large company, which makes it interesting to look at its decision-making logic in the growth stage. Soon, Pandadoc may outgrow its current form and change significantly, because it works in an expanding niche market. Chetty and Campbell-Hunt (2004, p. 63) argued that for born-globals "both the focus and the pace of internationalisation are dictated by competitive imperatives to seize a leading position in the niche or emerging markets". And small firms, which aim to grow, tend to work in profitable and expanding market niches (Storey, 1996).

This is what Pandadoc did. Pandadoc has occupied such a growing niche where the potential for worldwide growth is significant and it tries to get a leading position in it.

“We are waiting for the rest of the countries to catch up. The potential for growth is great” [...]. We need to become a legally significant electronic signature provider in more countries. Including expanding our work with pdf and other formats. The niche is not very occupied”.

Pandadoc is still limited by the possibility of different markets to recognize e-signatures as legally significant, therefore their geography has not been expanding too fast yet. In line with Morgan-Thomas and Jones' (2009), rapid internationalisers (such as Pandadoc) were found to often have concurrent strategies of concentration on some key markets (in case of Pandadoc, it is the US market which takes up 60% of their sales) along with broad diversification of markets. The suggestion to focus on some key foreign markets at start is also in line with findings by Crick and Jones (2000), which suggest that rapidly internationalising high-tech firms combine the strategy of broad diversification of markets with the strategy of concentration on one or a few key markets, which provide around 37% of total sales. This strategy is generally characteristic for born globals, and Pandadoc is an example of application of this internationalisation strategy. Their share of American sales today is 60%, however, with further higher adoption of legal significance of electronic signatures in other countries, the share of the Anglo-Saxon world may be significantly diluted.

“Geography of sales: more than 60% is the US, another 30% are Australia, Britain, Ireland, South Africa, Singapore, and 5 percent - the rest of the countries. The fact is that in all English-speaking countries, an electronic signature is legally significant, therefore, for now, the main market is there, and the product is still only in English. In this [2021] year, we start to enter Spanish-speaking and Portuguese-speaking countries, Dutch, Swedish, Norwegian market”.

Although Mikita and the team at early stages skipped thinking through a strategy and ran into problems, he advises budding entrepreneurs to think ahead about the company's market strategy (marketing, sales and customer retention, go-to market). This is interesting because Mikita himself acted effectually at start; and he ran into a lot of problems, as well, though, as he thinks, due to his approach to strategic thinking. It may be argued that it is not the best idea that Mikita trades up to a formal planning-analytical approach of internationalisation process (such approaches have been suggested, for example, by Yip, Gomez and Monti (2000)). As research suggests, planning-analytical approach of internationalisation is more applicable to rather stable and predictable environments (Rialp-Criado, Galván-Sánchez and Suárez-Ortega, 2010). It may be argued that Mikita does not remember the high level of uncertainty and lack of knowledge he had at the time, and that is why he suggests this approach. It might be true, but there is also another way to look at it.

Of the international market entry strategies found by Freeman, Edwards, Schroder (2006) (the strategies include: Extensive personal network contacts; Collaborative partnerships with large foreign customers and suppliers; Client followership; Use of advanced technology), Pandadoc relied only on using of advanced technology. However, Pandadoc's sales and marketing ran into problems of building trust in customers, because Pandadoc did not have partners and personal network contacts who could help build that trust in the foreign market. Fortunately, the company had a financial cushion from the previous business and eventually managed to build partnerships and earn their insider position within the core foreign market along the way. That is why Mikita understands that relying only on the strategy of advanced technology may not suffice, but it is important to think through potential sales and marketing channels, which will enable the firm the insider position within foreign

networks. So the strategy may not be so much about planning, but considering how the company will earn trust in the foreign network through different channels: this preparational thinking may lead the company to the choice of the right channels and potential partnerships, if those will be possible.

“Although we ourselves made a mistake in this, I advise entrepreneurs to think ahead of what the theoretical strategy for go-to-market, marketing, sales and customer retention would be”.

4.3. Leadership style

As founding team members may differ in their inclination toward either causal or effectual decision-making approaches and problem-solving styles (Smolka et al., 2018), we also try to look at the overall leadership style applied by the founder of Pandadoc. Mikita's first company Coding Staff started with a very informal horizontal leadership style. The business was run for eight months from a one-bedroom apartment rented from a relative. Mikita slept in the same room where the company had desks. One engineer slept on an inflatable mattress and lived in this apartment. Although they worked hard, all team members had great fun. They gradually improved their working conditions.

As Mikita did not plan to manage Coding Staff anymore, he hired a CEO. But in one year the company ran into a deep loss. Mikita mostly cared about the employees who put “sweat, blood, and tears” into the company. The company existed due to 100% buy-in of all team members. So Mikita laid off the CEO and allowed the employees to take over the company, because Mikita believed that he created the company jointly with employees. The company was sold to employees for very little. Mikita perceived his employees as co-creators in his first venture, that is why he decided to leave the company to employees. When entrepreneurs see their employees as other stakeholders, that is partners who *co-create* the firm, it is an application of *effectual* logic (Hubner and Baum, 2018). Thus, Mikita's first company was *effectually* managed in relations with employees.

“The team was very frustrated what was going on, we all worked our asses off to get the company up and running. So, what we did afterwards, we fired the CEO and we offered employees to take over the company. We sold the company to two of our former employees, sold it for very little. I think it was the right thing to do considering that these guys helped us build this business, they put sweat, blood and tears in it, and when management things went pretty sideways, we wanted it to exist, you know, to be alive.”

Mikita was moving into a new venture and he wanted the employees to be proud and interested to keep doing their work further. Mikita could have settled the problems with the company's losses and could try to sell the company at a more attractive price, but that would not guarantee the company would survive new management, because finding an appropriate management with a 100% buy-in proved to be hard. Mikita thought that letting the employees to further own the company would be a fair and optimal decision. Mikita emphasises the importance of 100% involvement of every employee, including the CEO, in the company's business. Leaders appointed from outside lack knowledge about the company's employees, technology, competitiveness, industry, and culture (Bower, 2007). Additionally, studies by Keller (1997) provided evidence that job involvement was related to a creative achievement and, as such, to the overall achievement. The influence of the factor of involvement was found to increase with professionalisation, higher novelty and complexity of problems. That is why in Keller's study, the influence of involvement among scientists was greater than among engineers. Both studies thus indicate the importance, for outside employees, of knowing the company's business very well and being deeply involved in the company's business.

“[...] you have to get a 100% buy-in from every single person in the company. [...]. You can't just trust that someone who is not intimately familiar with your business will turn it into something magical. Although, you know, I think I made the same mistake over and over again, to be honest”.

Mikita's first company lacked any ambitious vision. For the next company, he had an aspiration of a global company that would make an impact on the world. The decision to make this new company appeared when the means were acknowledged, but before the idea for the company was found (which is effectual logic according to Sarasvathy (2008)). At start, there was only a global vision (Moen, 2002; Kundu and Katz, 2003) and an aspiration, which, it could be argued, was *effectual*, because it was based on starting with means-questions “Who I am?” and “What I know” (aspiration to make an impact, be global, learn on the way, have fun on the way, be independent, be an IT product) and trying to come up with the idea (the possible effects (Sarasvathy, 2008)). The third means-question “Whom I know?” may not necessarily be thought over at start and may be thought of later, after investigating “What I can do?” (Kalinic, Sarasvathy, Forza, 2014). And in Mikita's case, he thought about it later. Thus, two questions may suffice to refer the logic to effectuation.

“When we started Pandadoc, we invested close to \$200K. At the time we were sitting in a nice office, it was more professional. We invested a lot, but retiring was not our goal, the goal was kind of to learn, to make some kind of impact on the world, on the people around us, on ourselves, and also have fun. So yeah we decided to take on a new challenge”.

To make up for the special and cultural distances that separated the office in the US and the office in Belarus, Mikita tried to familiarize American employees with the Belarusian culture and vice versa. Socialisation tactics facilitate person-organisation fit (Katz and Welbourne, 2002, p. 26). Increased socialisation of one part of employees located in Belarus with the other part located in the US will increase the fit of employees to the two-country culture of the company.

“What's been working for us to stay together is we fly people from Belarus to the US and vice versa and we help them to immerse in the culture”.

Mikita's leadership style adopts the style of Silicon Valley emphasising the well-being of employees. To ensure superior performance of the firm, founders need to be aware of contemporary management practices where satisfying employees' personal development needs play one of the key roles (Dobbs and Hamilton, 2007).

“We're trying to bring Silicon Valley to Belarus. In Silicon Valley it is normal to have meditation rooms and stuff like that. It's not common in Belarus. Our business requires highly cognitive activities. And you can't think well, when you're tired. While we're overloading employees' brains, we need to balance it, as well”.

During the lockdown in 2020, employees had to work from home. Pandadoc's managers reacted to it quickly by initiating programs to make up for employee's lack of social life that they used to have at the workplace. According to Bauer, Morrison and Callister (1998) socialisation tactics may influence turnover, commitment, and the continuity of the values and norms of firms. So, initiatives to make up for the lack of socialisation, which were undertaken by Mikita, are very appropriate and may positively influence firm performance, according to this research.

“Internally, understanding that people’s workplace is often a very important part of their social life, we have implemented multiple initiatives and programs for employees just to focus them on the bright side [during the COVID-19 pandemic]”.

At Pandadoc, all the information is transparent and available to anyone, which is also rooted in the Silicon Valley culture (Saxenian, 1994).

“We’ve set up a regular cadence of polls and meetings for the entire company. All the information about our business is open and transparent. Everyone, even an assistant can look at our MRR and churn, and you will know the key priorities for the business”.

Ability to learn is an important theme in the company. A possibility to learn has been an important factor for Mikita to start and grow Pandadoc. Engineers at the company are today expected to learn to do things that they did not do before (e.g., learning new programming languages or other subjects). It is argued that in order to succeed on international markets, born globals need to develop their entrepreneurial characteristics and learning capabilities (Jantunen et al., 2008). Orientation for learning is written in the company’s vision, and was often underscored by Mikita in our interview; learning orientation at Pandadoc thus is in line with the findings by Jantunen et al. (2008) about the importance of developing learning capabilities for born globals. Internationalisation knowledge can be developed on the go, if organisational learning is set as an objective in the firm (Pangakar, 2008).

“The bigger this company gets, the more I learn, the bigger the impact on the world, our clients, employees and as a result the more fun it becomes”.

He also expects fast learning from his employees. For first employees’, their ability to learn fast on the go was a critical factor. This once again emphasises the importance of developing learning capabilities for born globals (Jantunen et al., 2008) and Mikita’s deep-rooted understanding of it.

“Your first sales people need to be learning something really fast and then execute on what they’ve learnt”.

“The main thing that distinguished the first Pandadoc sales people was that they had an entrepreneurial streak and they quickly learned, they had no previous successful experience in sales, but their learning skills made up for it”.

For Mikita, it was also critical to learn how to sell the first versions of the product himself first, before hiring employees and delegating it to them. Leaders of creative teams often have to “sell” new ideas. The need to “sell” new ideas is a key reason why persuasive skills appear essential to the leadership of creative people (Mumford et al., 2002). And Mikita always tried to practice selling skills of his own product, because he would learn how to persuade in the value of the product multiple external (e.g. investors) and internal (e.g. employees) people.

“When you have learned how to sell yourself, you’re ready to hire new employees who have an entrepreneurial streak, learn quickly, and are open to changes”.

“You don’t need employees for your first direct sales. When you do it yourself, you save on sales and learn faster”.

Mikita *sells* his vision to employees, which means that the buy-in on their side is also dependent on how well he is able to sell it to them. Mikita considers it his responsibility to be able to sell the value to his own employees. Katz and Welbourne (2002) confirm that selling their business proposition to external groups (e.g. business angels, venture capitalists, and bankers) or to internal groups (e.g. co-

workers and supervisors) to support their ideas, is an activity unique to entrepreneurs. And Mikita supports this view.

“Every CEO has to be a salesman. You sell your vision, you sell to prospective and existing employees, investors, partners”.

Everybody in the company is equal due to the existence of the written “Culture Code”. The “Culture Code” makes everybody equal as to its provisions, making it impossible to have privileged exceptions for management due to their position. Such a declaration of codes supports the horizontal culture of the company.

“We have written a document that we named “Cultural Code” and in it, we are trying to suggest to our partners what we are striving for, what are our expectations from each other and from the company's employees. What is good about this document: an employee can say: “You, Mikita, have now violated your own code,” and this remark, you know, breaks through. For example, I may break the code when an employee comes to me directly with a question, and I send him to another manager, and they notice to me that this violates the Code, and, embarrassed, I say: “Sorry, my fault”.

Empathy is part of the company’s culture. Empathy was added in the Pandadoc’s “Culture Code”. The “Culture code” includes company vision, expectations from employees, culture and values. With such declarative documents as company’s vision or “Culture Code”, leaders can build the company’s culture and climate, which will contribute to innovation (Mumford et al., 2002; Jacobsen and House, 2001). Such documents indirectly influence decisions, goals and interactional norms in the company. Company should not only try to form visions in economic terms (for example, reach a certain number of paying users), but also in cultural and climatic terms, which will lead to effects on such variables as openness, trust, and challenge, which contributes to innovation (Mumford et al., 2002). Inclusion of empathy in the “Culture Code” builds culture and climate, which frames decisions leading to openness, trust and challenge, thus contributing to innovation.

“We added empathy to the Cultural Code, although that doesn't mean we shouldn't say unpleasant things to each other.”

Mikita supports entrepreneurship of employees even if they leave the company, which he perceives as inevitable because, by his own words, he generally loves to work with entrepreneurial people. If his former employees establish new firms, Mikita believes it is good because it benefits the wider society, which is true because firm creation implies that “teams or individuals successfully convert original discoveries into innovative products and services that benefit society” (Katz and Welbourne (2002, p. 29). Deep reverence for entrepreneurial people is even written in Pandadoc’s “Culture Code”: “Learn to be the CEO of your own domain and then build your own business in the future”. Hubner and Baum (2018) referring to Cardon (2008), suggest that entrepreneurial passion in employees may be created through *effectual* approach by allowing employees greater participation in firm creation process. Delegation of responsibility and participative management are required in management of human resources to achieve superior organisational performance (Dobbs and Hamilton, 2007). When entrepreneur allows greater participation to employees, it signals to employees the appreciation of their competencies and their work. This creates positive feelings in employees about the firm and the feeling of their personal meaningfulness, and this will allow them to experience entrepreneurial passion (Hubner and Baum, 2018). Thus, *effectuation* may be important to inspire entrepreneurship in employees. And we can infer that Mikita’s orientation towards entrepreneurship in employees refers to *effectual logic*.

Mikita's first employees all had to be entrepreneurial to be able to cope with early versatile dynamic tasks. According to Chen (2013), early employees perform in many overlapping functional roles. In the early stages of entrepreneurial firms, the roles and tasks are yet not defined (Hayton, 2003); employees of entrepreneurial firms are required to think independently and work creatively (De Jong and Hartog, 2007); often, employees need to define their tasks themselves (Cope, Kempster and Parry, 2011). As first employees are an important and costly investment at early startup stage, they need to be able to do versatile tasks autonomously. That is why, resource-constrained, Mikita sought for such a type of entrepreneurial people at early stage of the company. Also, Markman, Baron and Balkin (2001) suggest that entrepreneurs and non-entrepreneurs may differ in their personal characteristics, such as self-efficacy and capacity to persevere. In their study the researchers found that inventors who started their own firms had higher levels of self-efficacy and perceived capacity to persevere than did inventors who chose to be employees in established organisations. Mikita intentionally sought for early employees who used to be entrepreneurs, for instance whose business failed. This may have been reasonable, according to the study by Markman, Baron and Balkin (2001), because these people possessed important characteristics, which other people would not possess.

“In general, I think that it is good if someone leaves us to start their own company, well, even if some of the employees are taken along with them, I can understand that. This means that we influence the wider community of people outside of our company. There are already three powerful SaaS companies created by our former employees”.

For Mikita, strategy cannot be thought through. To come up with a viable strategy, you need to experiment, bump and stumble, and see what works for you. We further elaborate on this point in more detail in Chapter 4.4.2. Here, we admit that Mikita confirms that from his perspective, it is impossible to take a strategy from somewhere, it has to be created through an iterative process of rectifications. This corresponds to the *Bird-in-hand principle* of effectuation (see Table 1) that the firm's means reconfigure the possible ends.

“You can't choose a strategy just by taking it from somewhere. For one firm, one strategy will work, for another, another, and so on. We tried, made mistakes, corrected and went the other way, not trying to think of a strategy globally”.

Mikita understands that to make a global company, both the global orientation (as opposed to domestic orientation) (Moen, 2002) and the overall company culture need to be set right from the very start. Otherwise, it gets too costly to change afterwards, because the company gets locked-in the existant group culture (e.g. locked-in the domestic market (Moen, 2002)). Group culture is important not only in the aspect of internationalisation. Patel and Cardon (2010) found that higher levels of “group culture lead to better coordination of efforts, resources, routines, and systems. This, in turn, may lead to greater levels of productivity at the firm level, particularly when the firm is faced with high levels of competition in their product markets” (p. 270). If the culture of the company is not set right for the firm, the company may run into a large spectrum of problems. Just to give an example, there may be problems for hiring talent. The incogruence of job seekers and the organisation in terms of mission, values and culture tends to lead to high attrition (which is separation from the organisation) and employee turnover rate (Chatman, 1991). Thus, Mikita puts a big emphasis on forming the right culture from the very beginning.

“The most expensive thing that needs to be redone is the culture of the company. Not even so much a product. My style of thinking did not fit the American market in any way”.

“It is best to think about entering international markets in advance, as redesigning the product will be difficult, and especially the culture of the company will be difficult to remake. Your team simply won't have the required preparation for entering international markets. I have often seen entrepreneurs succeed in the local market, buy apartments and German cars and then being reluctant to enter international markets and remake themselves and their company culture”.

4.4. Decision-making logic

4.4.1. Causation

Pandadoc started off with a pre-determined goal to build a specific product for web designers (the product bore the name “Quoteroller” at the time). In fact, it was “client followership”: the newly formed company Quoteroller focused on web-designers as their target customer profile, because they were familiar with their needs as they worked with this target group in the previous company. Without a prior market research, the team started to work on the first iteration of the product in October and launched it in March. They launched the product as freemium because it was fashionable at the time, believing customers will come.

Web designers were the closest customer group, this group expressed interest in the product, but was not willing to pay for it. So, the company agreed that the product has failed, and they had to iterate and try to “fumble” another customer group and tailor the product to this group. At first sight, it could be said that the company initially started out with causation (the goal was set, the product was catered to the chosen customer group), but failed and switched to effectuation (trying to fit the product (means) to a potential usage (which is the so-called choosing between different effects)). We can confidently say that the company switched to effectuation, because there was already a product (means) and the company had to discover a usage for it (viable ends), and this is effectual decision-making. Literature shows such patterns when the company starts off with the causal approach, fails with it, which further leads to switching to effectuation, as has been shown by Kalinic, Sarasvathy, Forza (2014): the researched entrepreneurs who lacked prior internationalisation experience, started approaching internationalisation causally, but soon realised it was too complex and they switched to effectuation logic. The labeling of the company's initial approach as causal may be wrong, though, because team members shied away from conducting thorough market research (which fits the evidence that novice entrepreneurs tend to search for information less extensively than seasoned entrepreneurs (Cooper, Folta and Woo, 1995)). Was the logic from which the company started, effectual? It could be argued that the company delivered the product to the closest customers, web designers, which is an effectual strategy, and the *Pilot-in-the-plane principle* (see Table 1) was present, however, effectual approach would imply soliciting customer feedback and securing partnerships trying to discover opportunities. It can thus be said that the company's initial approach may be neither causal, nor effectual, but it pertained to *an absence of strategy*, and the company experienced what Hauser, Eggers and Guldenberg (2019) call *Blinded-by-the-light principle* (see Table 1) of no-strategy decision-making (see Table 1), which implies overconfidence by suppressing of risks and requirements. And this overconfidence led to the failure and necessity to iterate and attempts to effectually discover another application for the product. In sum, we see that *Goal-driven principle* (see Table 1) of causation was enacted by Pandadoc, but through the neglect of other supporting principles of causation (like, Predictive-trends, Competitive-analysis, Expected-return (see Table 1)) it rather led to an absence of strategy (Hauser, Eggers and Guldenberg, 2019) than to causal strategy.

“It was free. We thought we gonna turn on payments and people will start paying us around August. That didn’t happen. We were upset for a couple of weeks. And we started iterating”.

“We thought we’re gonna build it and they will come. And that didn’t quite happen. After some online marketing effort, they did come, but they weren’t quite the right persona for our product. The further you go, the more you learn, the better you become. I think we got our 10 000 hours, as they say to get decent at anything. I think I got decent at online marketing, inbound marketing”.

“Unfortunately, with the pre-Pandadoc product, we did not try to do market research, competitive analysis. We also did not test hypotheses [...]”.

Pandadoc secured investments and loans, for which it had to show investors hard numbers in the market and calculated expected return. The *Expected-return principle* (see Table 1) of causation (Sarvasvathy, 2008; Hauser, Eggers, Guldenberg, 2019) represents causal decision-making. In the process of fundraising, means are searched for by the company to support the targets which are chosen based on the expected returns, and these targets need to be justified to the investors. Also, potential sales need to be predicted based on market research and, again, justified to the investors. Hence, Pandadoc definitely had to engage in causal decision-making when planning its growth based on the attraction of investments. In sum, we see that *Predictive-trends, Competitive-analysis, Expected-return principles* (see Table 1) of causation (see Table 1) was enacted by Pandadoc. What is interesting is raising external funding is a critical event when the company tends to change its decision-making logic to causation (Nummela et al., 2014), however, Pandadoc generally maintained the structure of *concurrent combination* of causation and effectuation (as it is explained in section 4.4.2) (although as found by Ciszewska-Mlinaric, Obloj, Wasowska (2016), an even closer look at multiple concrete decisions made could identify switches between causal and effectual logic due to the heterogeneity of problems, here we look at the overall general logic of the company).

“We raised money. We used both, equity and debt, we raised money both on a revenue-based financing and term loan”.

“Our investments at Seed stage were 655K and 400K; in Series A, 5m; in Series B, 15m and 30m”.

When Mikita overviews his previous actions, he suggests for buddying entrepreneurs a more causal approach of thinking over a theoretical go-to-market strategy: what the marketing actions will be, how sales are going to be conducted, what will be the retention strategy. However, he himself applied effectual experimentation to the strategy (when experimented with the customer group that was closest to the company and which seemed to be interested in the product), ran into the lack of customers and had to iterate and correct the mistakes by finding the right application (effect) for the product (means) (which represents the *Bird-in-hand principle* (see Table 1) of effectuation). For a Belarusian firm, partnerships need to be made with foreign partners, establishing trust is complicated as the firm has more difficulties to tap into the foreign network; hence a more informed approach (representing causal approach) is suggested by Mikita to try to weed out all potential problems at the very start. However, after the company has been established, Mikita strongly suggests in-person meetings with potential customers, even if such efforts do not scale (representing effectuation). Here he follows Paul Graham from Y Combinator suggesting this approach, because it allows the entrepreneur to learn customer needs better and tailor the product. Overall, a *causal approach* is suggested to be used to learn about the market and customers and further *effectual* partnering for tailoring of the product is suggested through feedback of customers and partners.

“Although we ourselves made a mistake in this, I advise entrepreneurs to think ahead of what the theoretical strategy for go-to-market, marketing, sales and customer retention would be”.

“So, in short. Now I advise to research the market, you can even do it online, and try to see if there is a product / market fit. Then you need to decide whether to move to a foreign market from Belarus or work from Belarus for now. Next, you decide on a sales strategy and a go-to-market model. I now suggest to sell by yourself. When you have learned how to sell yourself, you’re ready to hire new employees who have an entrepreneurial streak, learn quickly, and are open to changes. When you get sales in foreign markets, investments can be raised”.

At Pandadoc’s early stage, founders did market research on their own. An elaborate market research was replaced with a thorough DIY market analysis. The rationale was to save scarce financial resources given that ultimately when the rubber hits the road, product tailoring will ensue. In sum, we see that *Competitive-analysis principle* (see Table 1) of causation was enacted by Pandadoc.

“We did the market analysis for Pandadoc on our own, because there was no money, and besides, this way you learn faster.”

4.4.2. Effectuation

Mikita describes that the concept for Pandadoc came from the issues they had experienced in the previous company. Mikita and the team probed different potential ideas: the founders were dreaming about all the potential ideas (effects) they could create with the means they had. Finally, Mikita was struck with the idea based on the issue he suffered himself the most, which was writing sales proposals. Clearly, the founding team started out with their available means (Who I am (tastes), 2. What I know (expertise), 3. Whom I know (networks)) and they sought the possible effects that could be created (Sarasvathy, 2008). We see the application of *Bird-in-hand principle* (see Table 1) of effectuation (Sarasvathy, 2008), which implies that new opportunities are imagined starting with the available means; entrepreneur combines these means, imagines an opportunity and takes action towards the imagined outcome; with the next action, possible outcomes may be reconfigured, and so until the desirable and achievable goals emerge.

“While we were selling software for web developers and web designers, we had to write a lot of commercial proposals, contracts, invoices to our clients. And we loved the 37 Signals SaaS model. In fact, we did not analyse the market, we just dreamed: we thought what would be cool to do to make ourselves feel good about what we do. And in the beginning, we made a version of Pandadoc at the time named Quoteroller, but only for web designers and web developers. To some extent, of course, it was a failure. Since there are not so many web designers”.

“We were not learning, we were not growing [...]. We got inspired by the company 37 Signals from Chicago. I was reading their book “Rework”, and I wanted to build something similar: the software that we can control, not someone else, that is delivered over your web-browser”.

“When we started Pandadoc, we invested close to \$200K. At the time we were sitting in a nice office, it was more professional. We invested a lot, but retiring was not our goal, the goal was kind of to learn to make some kind of impact on the world, on the people around us, on ourselves, and also have fun. So yeah we decided to take on a new challenge”.

To even come up with the idea of Pandadoc, Mikita had to go through a series of business ideas where he learnt things. This process eventually led him to establishing Pandadoc. That Mikita applied effectual decision-making (specifically, *Bird-in-hand principle* of effectuation (see Table 1)) follows from the example held up by Sarasvathy (2008). She describes a hypothetical entrepreneur who thinks of starting a restaurant business. The entrepreneur first starts off with the means available and she thinks creatively of all possible actions she can undertake. If she is hard up on money, she could try to convince an established restaurateur in becoming his partner or try to raise money from an investor. Alternatively, she could start with a small lunch delivery service taking on her relatives for the jobs; over time, she would develop a customer base, financial resources and create a restaurant. Or else,

maybe she will write a cooking book or become a food blogger. Her aspiration is not goal-bounded, but is open-ended. This description by Sarasvathy resembles the narration set forth by Mikita. He has been gradually moving towards his aspiration accumulating knowledge and resources on the way.

“I went from website building business to software development business to software product development business”.

Given the narrow customer group and less than 1% converted-to-paying customers in Quoteroller, the firm’s business model proved to be unsustainable. Having been upset for a while, they launched their second product, Pandadoc. They had already been more familiar with the market in a natural way through the previous product, they *doubled down on the effort to collect feedback* on the prototypes and tailor the product, thus they finally focused on sales teams as their target customer group. The launch of Pandadoc was better than the first product. Using customers as sounding boards allows to improve the value of the product and understand how to communicate this value clearly. Soliciting feedback from customers is important for bringing about major innovations (Coviello and Joseph, 2012). Much later, Pandadoc conducted one of its major innovations – online payment embedded in the sales proposal – by hearing about this desired attribute from customers. Opportunity recognition through customers has also been found important for major innovations (Coviello and Joseph, 2012).

Mikita believes that getting feedback on the ideas from customers or knowledgeable people to reach a better product/market fit is critically important to avoid failure risks and to bring opportunities to create value. He is a big proponent of direct sales for the possibility to receive feedback from the environment. Feedback is used both in causation and effectuation (see Fig. 3 and Fig. 4). In the causal approach, the entrepreneur first develops a solution to meet perceived needs, enters into the market space and then receives market feedback, which leads to product adaptation. In effectuation, entrepreneurs believe that they deal with relatively unpredictable phenomena, so they try to accumulate enough information about the customer needs through experimental and iterative learning techniques aimed at discovering the future (Fisher, 2012). Feedback solicitation is part of partnerships orientation of the *Crazy-quilt principle* (see Table 1) of effectuation which is used early on in product development to discover new means and establish new goals. “Sharing a new product with an interested community provides the early feedback that enables an entrepreneur to move forward in the product development cycle, and ultimately create a more appealing product” (Fisher, 2012, p.1042-1043). As Sarasvathy (2001) admits, “sufficiency is provided by active implementations of imagined solutions” (p. 250); actively implementing mockups and testing hypotheses refers to effectual logic. Making up for mistakes in Quoteroller, at Pandadoc, Mikita tested hypotheses on mockups produced on the cheap, trying to achieve product/market fit through series of hypotheses validations, which can be characterized as effectual decision-making. Here, we err on the side of caution, because we do not know whether Mikita engaged in partnerships at that stage to create new means and set new goals; to our knowledge, partnerships came later, when Mikita flew to the US, but at the earlier stage, Pandadoc could only rely on feedback.

“Now when I’m talking to someone, I ask, do you sell directly? They say, no, you know, we only have Inbound and SEM, our direct sales are not scalable. But the fact is that when you sell directly, you communicate with customers, and unfiltered feedback comes to you, this is not the feedback from customers who have already paid you, right? You will learn about the problems and needs of the client, about the market. If I needed to create a B2B SaaS product today, I would do direct sales and do them myself personally. I already once gave an example of my friends, they have a consumer

product for children, and so when they gathered the children for a special event and showed them the game on cards, it gave them so many insights that they reshaped this game very seriously. Talking to customers directly matters”.

“Let’s say I start something from scratch. Most my business ideas are crappy, they need to be validated. That is why you need to run it by a bunch of people who know the subject to find out what they think about it.”

“The idea [of implementation] of payments came from customers and we delivered on it”.

For the the Quoteroller product, Mikita and the team did not do a market research, but relied on their own understanding of what they want to work with. Instead of predicting the future (representing causation), they tried to influence the future (representing effectuation) (Sarasvathy, 2008). However, as we previously discussed, in order for decision-making to be referred to causation or effectuation or no-strategy, we need to look at possible accompanying actions. And as the situation provides, the team disregarded customer feedback and securing partnerships (so the team did not apply effectual logic). Mikita also admits not conducting a thorough market research (so the team did not apply causal logic). In sum, we see that *Pilot-in-the-plane principle* (see Table 1) of effectuation was enacted by the team of Quoteroller (influencing the future), but through the neglect of other supporting principles of effectuation (like, Crazy-quilt principle) it rather led to an *absence of strategy* (Hauser, Eggers and Guldenberg, 2019) (see Table 1) than to effectual strategy.

“In fact, we did not analyse the market, we just dreamed: we thought what would be cool to do to make ourselves feel good about”.

“Unfortunately, with the pre-Pandadoc product, we did not try to do market research, competitive analysis. We also did not test hypotheses, we argued a lot about what the feature should be, and for some reason we didn’t have the idea that we were building something that no one else needed but the two of us”.

The business opportunity for Pandadoc could not be detected causally at start, it required experimentation. The initial idea about electronic sales proposals ended up in creation of Quoteroller, the product for web designers. Mikita could not see at start whether their idea with electronic sales proposals and e-signatures presented a really big opportunity until they have iterated from Quoteroller as the product for web-designers to Pandadoc as the product for sales teams and then until after sales started to rise. Effectuation implies that target customers could be defined only ex-post through whoever buys the product (Fisher, 2012) (*Bird-in-hand principle* of effectuation (see Table 1)). Pandadoc understood that they tapped into the right customer with the right product only when they reached \$20K in monthly revenue, which validated the idea. Only after that, Mikita started the scaling of the business. Before they started to earn \$20K, before they saw there was a demand for this product, they could not calculate a potential return. The vision of a “hundred-million-dollar business” came only when they were at \$20K monthly revenue. Thus, we see the application of the *Affordable loss principle* of effectuation (see Table 1): they kept expenses low carrying out research in-house, avoiding self-rewards and ambitious plans, they did not calculate the potential return. This points at effectual decision-making at the business opportunity validation stage.

“When we were like \$20K in monthly return revenue growing at like 10-15% a month, it was clear that there is a market, there is a use case that we can streamline that quote-to-cash workflow, that we have a very unique and interesting approach at solving a bunch of problems with the quote-to-cash workflow. Then we saw that there is a path to a hundred-million-dollar business. This is when I packed my suitcase and moved to the US. We were 2 years of age when we earned \$20K a month”.

Top management’s decision-making is not based on specific goal-setting. There are four “themes” which serve as lode stars for employees to come up with initiatives. The “themes”, which guide the

company's development are, for instance, improvement of customer value, cutting costs and some others (which remained untold). On the one hand, it could be said that we see here effectual means orientation at the firm level (Werhahn et al., 2015) by which "the management encourages organizational members to use all available and especially all relevant means at hand to fulfill an overarching company aspiration" (ibid.). However, top management may initiate some programmes within these core "umbrella themes" (e.g., trial-to-value initiative described below in the quote), thus it would be more accurate to say that top management's approach may be characterized as "*concurrent combination*" (Smolka et al., 2018) of causation and effectuation: the goals and plans (causation) establish boundaries broadly, and concurrent effectual experimentation may be possible within the set boundaries. Although Pandadoc's vision includes non-concrete goals, as "Accelerate the way organizations transact" and "learn as much as possible", one of the goals of the company's vision is very concrete: to reach 50K active users (from today's 26K+). Visions based on concrete goals are referred to *causation* (Hubner and Baum, 2018). This goal – to reach 50K active users – in the vision is provided within a long-range time frame, which allows making short-term experimentation (representing effectuation). This represents the "*concurrent combination*" of causation and effectuation at the top management level: the goals (representing causation) set by top managers are either not specific, broad (as in "umbrella themes" and programs initiated within these themes), or the goals are provided within a long-range time frame, which allows making short-term experimentation (representing effectuation) (as the goal of reaching 50K paying users in the company's vision). Causal logic is different from the concurrent combination of causation and effectuation in that causation would "focus on goal-setting procedures, which are based on predictions as accurate as possible" (Hubner and Baum, 2018, p. 394).

"We're setting big audacious initiatives and themes and we let people come up with their own projects and ideas based on the umbrella theme. Generally, we have four key themes for Pandadoc: One theme is Customer value: we are improving our understanding of our customer profile, the right segments for us and the value that our product should bring to these customers. Employees care about these initiatives, they drive 'em. Communication is not top-down or bottom-up, it is horizontal. Second theme: Cost structure: we need to cut costs in some areas, and invest in others. And again many individuals on the team take initiatives and run projects that matter. We had a trial-to-value initiative in 2017: we tried to maximise the value that every prospect can extract from our product and we tried to shrink the amount of time in order for that to happen. We brought in the project the sales team, customer success team, product team, having a little bit of every function in every office is what we tried to push to prevent departmental silo".

Mikita believes that strategy cannot be pre-determined. It can be hypothesized and thought through, but ultimately it is a subject of experimentation in real settings. Mikita's understanding of strategy formation is in line with the discussion of strategy formation in born global firms as researched by Rialp-Criado, Galvan-Sanchez, and Suarez-Ortega (2010). The researchers (ibid.) suggest that strategy at born global firms evolves from emergent and entrepreneurial (representing effectual logic) to more analytically-planned one (representing causation) at later stages of the company. At the early stage, strategy-making process at born globals is not highly systematic, formal, and normative. The shift to causal logic is not a one-time change, also, but a long process of fluctuations (Nummela et al., 2014). Thus, it takes time and experimentation to come to a viable stable strategy at a born global. These findings are confirmed by Mikita. In our problem analysis in Chapter 1, we identified that internationalisation strategy of born globals may be very different for each company, and no universal recipes could be applied, Mikita confirms that from his perspective, it is impossible to take a strategy from somewhere, it has to be created through an iterative process of rectifications; this corresponds to the *Bird-in-hand principle* of effectuation (see Table 1) that the firm's means

reconfigure the possible ends (in this case, possible strategies). Thus, we infer that strategy formation at Pandadoc was *effectual*.

“You can't choose a strategy just by taking it from somewhere. For one firm, one strategy will work, for another, another, and so on. We tried, made mistakes, corrected and went the other way, not trying to think of a strategy globally”.

Mikita believes that pursuing goal stubbornly is a mistake. The entrepreneur needs to be able to discern when to change course. Goals have to be changeable. From this we can infer that Mikita makes a distinction between effectual strategy and no-strategy and himself chooses *effectual* strategy. The *Lemonade principle* of effectuation (see Table 1) implies that in the event of unexpected events entrepreneur may apply imaginative thinking and reconfigure the action plan. Unexpected and surprising events can lead to a valuable opportunity. If the results are stagnant and nothing changes, it is an unexpected event when the lemonade principle should be applied and lemonade should be produced off a lemon. Contrarily, choosing the *Dead-end principle* of no-strategy (see Table 1) would mean that unexpected events cannot be leveraged: the entrepreneur keeps doing the same thing, fails to achieve the predetermined goal and cancels the project or remains in stagnation.

“Some people do not work hard enough. Some people work really-really hard, but they do not iterate. It is important to not just work hard, but to take rests so that to stretch yourself, iterate and change. There are a lot of hard-working people that just do the same exact thing that does not work. I have friends who work hard on something that is clearly not working, either they are afraid to take a step back and say: look, it did not work, I failed, it's okay to fail, I have to learn something from it, take a rest, and with the new energy that I just saved up, crush something different”.

From Mikita's words, getting the right advisors on board also allows to avoid risks of failure. The emphasis on getting advisors offering them shares in exchange for all the benefits they could provide for the company corresponds to the updated Uppsala model by Johanson and Vahlne (2009), which was mentioned in the problem analysis. Johanson and Vahlne (2009) stress that during the internationalisation process, the focal firm enters a foreign market network which is connected via an invisible complex relationship pattern; the goal of the firm should be to get a valuable network position, because some knowledge is accessible only to network insiders. As noted by Johanson and Vahlne (2009, p. 1411), “insidership in relevant network(s) is necessary for successful internationalization”. Mikita was an outsider for the US network struggling from the lack of trust from customers, and he had to somehow overcome this problem. His challenge was not so much to excel in differentiation from competitors as tapping into the insider network. Thus, he had to care about leveraging strategic relationships and building partnerships (the *Crazy-quilt principle* of effectuation (see Table 1)) to reposition the outsider company into the foreign network securing the insider position; this represents effectual decision-making (Johanson and Vahlne, 2009; Fisher, 2012; Sarasathy, 2008).

“In partnerships it is very important to have an advisor who is from your industry and a little ahead of you for 1-2 years. I was very lucky to have one: he explained a lot about moving to the Valley, introduced me to business angels”.

“We entered into agreements with advisors on the vesting principle, where it was assumed that they would be able to receive shares at certain intervals, provided that the person remained our advisor. We fired advisors, this is normal practice. I also ask to be fired as an advisor if I have ceased to bring value”.

Pandadoc uses multiple growth channels, including Inbound marketing and SEM, WOM (when the sales proposal is sent by one party to the other, the other part gets exposed to Pandadoc), but partnerships and various integrations are very important for Pandadoc: especially partnerships with

CRMs and ERPs in which Pandadoc can be integrated. Pandadoc has successfully leveraged partnerships for growth. Pandadoc had some key partners (like Hubspot CRM), but there were many others, much smaller partners. This could point at a generally effectual partnership orientation which implies self-selected partners who are willing to partner with the company (as in the case of online payment providers of whom we talk below). According to Gabrielsson et al. (2008), Pandadoc executes a growth approach relevant for born globals: the born global should either tap into channels and networks or start cooperation with larger customers. Pandadoc tried to do both. In the case of cooperation with larger customers, Pandadoc got slightly dependant on HubSport deriving 24% of sales from there, but was able to move away from such a big share of leads coming from one source.

As we mentioned, Pandadoc cooperates with self-selected partners who express willingness to partner with the company. For example, when Pandadoc implemented the online payments into the product, it included multiple payment providers in the options list, but not all providers agreed to pay Pandadoc a percentage. Pandadoc did not exclude those who did not engage into partnership and agreement on commission. Pandadoc feels alright to receive cuts from those providers who agreed to provide the cuts. This represents self-selected partnerships of the *Crazy-quilt principle* of effectuation (see Table 1).

“Partnerships in general is a good growth channel for us”.

“We are very good at using distributors, resellers”.

“We take a cut from the payment depending on whether the payment is done through one of our partners or not. If the transaction goes via someone who we don’t have an agreement with, then we do not have a percentage from the transaction”.

Mikita aims to develop partnerships even if they would not be reciprocal, but he aims for the long-term then. This once again reiterates the partnership orientation of the *Crazy-quilt principle* of effectuation (see Table 1) and reasonableness of such an approach for a born global, which needs to tap into channels and networks if it does not want to rely on bigger partners (Gabrielsson et al., 2008).

“It is important to be useful to people. Help them; it is not a fact that they will be reciprocal, but I will remain in their subcortex as a good and useful person”.

Mikita tries to use the *Lemonade principle* of effectuation (see Table 1) to turn unexpected events to his benefit as was with the pandemic. He launched retraining program for people who lost jobs. They also made e-signatures free to help people work on remote and for Pandadoc to leverage the contingent event and expand the customer base (*Lemonade principle* of effectuation (see Table 1)). And in general, lockdown was to the benefit for Pandadoc as much as it was for such companies as Zoom who soared in popularity and usage, because Pandadoc’s product enabled easier work from home. A lot of organisations relied on dated paperwork processes which were manual, and they started to go digital, the world suddenly fastforwarded to year 2030 in digitisation, and Pandadoc reacted to the events *effectually*.

“With the lockdown during the pandemic, I believe, the world got fast-tracked into the 2030”.

“During the COVID-19 pandemic we decided to offer e-signature capability for free. A lot of businesses were suffering at the time being out of business and still having to pay a rent, take care of bills and expenses. So, we decided to offer that part of our product for free to help people stay in business. We also launched a program for people who lost their

jobs during the pandemic to learn sales and revenue operations. That initiative has seen a lot of demand. It's high time for organisations to invest in professional training of employees”.

Pandadoc applied the *Lemonade principle* of effectuation (see Table 1) having leveraged the pandemic to improve internal processes, as well: the company provided support to employees by offering them various programs and initiatives, which should ultimately bring more meaning into the jobs of employees. Job satisfaction (Mathieu, 1991) increases commitment. Satisfying employees' personal development needs is required from management to ensure superior organisational performance (Dobbs and Hamilton, 2007; Chaganti, Cook, Smeltz, 2002).

“Internally, understanding that people's workplace is often a very important part of their social life, we have implemented multiple initiatives and programs for employees just to focus them on the bright side”.

Mikita suggest not to set too big goals, which can become overwhelming for the entrepreneur, but rather aim for the goals that are more modest, but the risks of failure are fewer, which represents the *Affordable loss principle* of effectuation (see Table 1).

“I believe that if you have no previous successful experience in the development of a company, you don't need to aim at ideas that require large investments from the start. It seems to me that it is better to make some kind of a simpler company first (I wouldn't want to discourage anyone, though). Such a company which will fly on its own or with a small investment from friends and acquaintances – make it profitable or then sell it. We started from a small company that makes plugins for web designers. Then, thanks to that company, Quoteroller got financed. And we raised the first money already having 3000 clients and earning \$20K per month”.

4.5. Early employees

The whole possibility to found Pandadoc became the result of the previous company. As Sarasvathy (2008) admits when an entrepreneur cannot achieve the desired result, s/he may choose an absolutely different, but available option, when the resources for the desired aspiration get sufficient, get back to this initial aspiration. Although the idea for Pandadoc was not a kind of idea to which the founders got back after some time, rather it was a new idea found in various ideation processes, but the intricate path to *the* idea worth developing was through accumulating knowledge, finance, experience. From this perspective arriving at the Pandadoc idea through the previous company can be described as *effectuation*.

Relationships with the early employees at Mikita's first company Coding Staff were very informal. According to Chen (2013), early employees are more integrated into the workgroup with the founding team; that is why early employees need to be like-minded; as Mikita says, “*You devote a piece of your life to each other. And the energy between you must be generated*”. Thus, early employees may be expected to resemble the decision-making logic of the founding team. By Hubner and Baum (2018), effectual logic implies that entrepreneurs see their employees as partners who co-create the venture. Mikita's first business was run for eight months from a one-bedroom apartment rented from a relative, which served as office (this is an example of bricolage logic (Fisher, 2012; Baker and Nelson, 2005)). Mikita slept in the same room where the company had desks. And Mikita believes that you spend so much time with employees that they need to be chosen very cautiously. Thus, we see *co-creation* of Mikita's first company with employees, which represents *effectual logic* (Hubner and Baum, 2018). By Andersson (2011), exploratory studies suggest that in early development, INVs follow *effectual* decision-making logic. And this is what we also see on this example at Pandadoc.

“One engineer slept on an inflatable mattress and lived in this apartment. [...]. The work was hard, but everybody had great fun”.

“At an early stage, every person you take is a hyper-significant event, because you spend a lot of time with this person, and he or she spends a lot of time with you. You devote a piece of your life to each other. And the energy between you must be generated.”

When Pandadoc was a small team of six-eight people, all newly hired employees had to be entrepreneurial. According to Chen (2013), early-stage employees are distinctive from the later employees in that they play an equally important role as founders in building and scaling startups. Thus, early employees need to be entrepreneurial to be able to carry out the task of building and scaling the startup. According to Hubner and Baum (2018) if the company relies on effectuation, “employees will be seen as partners who co-create the firm, while their competencies are leveraged as means for the firm” (p. 381). Early employees do different activities and apply different skills and have high autonomy. From Mikita’s words, we can infer that he intentionally sought entrepreneurial employees who would be able to co-create *effectually* the emergent startup, just as other team members.

“I like to work with entrepreneurial people, with doers. With those who are fast and hard-working. I like to work with other entrepreneurs at early stage of the company, cause it’s easier to get an entrepreneur to do gazillions of things required at early stages. At early stage, you do not need a super deep expertise from every employee that you hire, your early folks should have a broad array of expertises, they need to be generalists who do a variety of things. Your first sales people need to be learning something really fast and then execute on what they’ve learnt”.

Mikita came through a disenchantment with management through KPIs, because they block creativity and teamwork. After he understood the wrongness of setting pre-determined KPIs, he changed his leadership style to inducing cooperation among employees. As found by Hmieleski and Ensley (2007), in dynamic market environments startups with homogenous top management teams performed best when led by empowering leaders. At the early startup stage, top management was homogenous and the industry environment for Pandadoc was very dynamic, that is why Mikita understood that directive leadership style did not fit and switched to empowering leadership. *Empowering leadership* was most appropriate for the characteristic internal and external environment of the company at that time, according to Hmieleski and Ensley (2007). Thus, causal approach of KPIs and rewards (Hubner and Baum, 2018) worked badly in employee management for the early-stage Pandadoc. Emphasis on cooperation and teamwork tends more to effectual employee management (Hubner and Baum, 2018).

“Yeah, I used to think that every employee should have some kind of KPI, and if the KPI is configured, everything will work smoothly, and yeah, especially if you put everything together in a spreadsheet, and can track how it goes. It was all stupid. At a later stage, when everything is already clear and there are templates by which you can already hire the next and next person. [...]. each of you needs to make and come up with thousands of solutions at an early stage. You need to think outside the box, you need to be creative. And when a KPI hangs on a person, it is not always possible to think creatively. KPI is also a one-person measure, and the success of a team is significantly more important than the success of one person. Head of Marketing has KPIs for leads, Head of Sales has it for sales. I remember a case when our people had a fight, one said that the leads were bad, the other said that they did not know how to sell there. When we were a team of 10-20 people, the whole team worked to make the company successful: all people tried to help each other so that the company's revenue is high. In our team, people cooperate, they do not compete”.

Mikita managed to solve the problem of inability to attract qualified employees to an unknown startup from Belarus. Mikita looked for entrepreneurial people who could be entrepreneurs, but their venture

deceased. These employees might not have had some knowledge required for the job, but they were willing to learn fast, and Mikita invested in their fast learning. Such young ventures often cannot provide job security and high remuneration (Tumasjan, Strobel and Welppe, 2011). However, it is argued that entrepreneurial individuals may want to work in such small entrepreneurial firms due to some attributes of entrepreneurial firms (e.g. preference for autonomy) (Sørensen, 2007). According to Chen (2013), “it is also argued that the nature of small-firm jobs which are more broadly defined provides employees with peculiar opportunities to engage in a variety of activities and develop diversified skills that are suitable for entrepreneurship” (p. 4). On Mikita’s side that was reasonable to try to employ such entrepreneurial individuals at the early startup stage. If these employees were attracted due to possibilities to work entrepreneurially in the venture (to co-create), this is another indication that they were attracted by the *effectual* management style adopted in Pandadoc.

“I understood that VP Sales from Salesforce, roughly speaking, or from any already successful company would not come to me, so I had to somehow hack the system: I found Americans from all over the world on Upwork who were doing their own startups, but those for some reason did not fly; I hired people who were not qualified to do some work, but I hired other qualified people to teach these employees. The main thing that distinguished the first Pandadoc sales people was that they had an entrepreneurial streak and they quickly learned, they had no previous successful experience in sales, but their learning skills made up for it”. „Some of them are still with us“.

“Your first employees have options: go to Google for a huge salary or to a no-name startup with a small salary. Usually people are ready to go to a startup where the CEO has some kind of track record. And I didn't have a track record, so it was incredibly difficult to hire people. When I hired people before we already had clear budgeting, clear data analysis, forecasting, it was painful. Superstar workers are very hard to find. In addition, you need to understand that when a company is growing rapidly, the company changes very quickly, and the tasks and necessary skills that are needed for hired leaders change dramatically. For example, VP Marketing at the Series A, Series C, post-IPO stages require very different skills, and not everyone is able to transform that way. All my first 5 employees were united by the fact that they were entrepreneurs. [...]. How I searched for them: Upwork; through friends in the Valley; Algel.co, meetups, conferences. I paid attention to the mentality and culture of employees: how willing they are to work in a company with a different culture and a different management style”.

4.6. Later employees

Pandadoc is split between Belarus and the United States. Mikita spends a lot of effort to bridge any cultural gaps that may arise between American and Belarusian employees. Socialisation tactics facilitate person-organisation fit (Katz and Welbourne, 2002, p. 26). Increased socialisation of one part of employees located in Belarus with the other part located in the US will increase the fit of employees to the two-country culture of the company. Employees need to adopt this split as natural and try to overcome their differences. This should smooth misunderstanding between the two company parts, reduce competition between the two parts, but, contrarily, induce teamwork. This tactic of emphasis on teamwork and cooperation (as opposed to competition between employees) leans towards *effectual* logic (Hubner and Baum, 2018).

“What’s been working for us to stay together is we fly people from Belarus to the US and vice versa and we help them to immerse in the culture”.

Management of later employees is a mixture of causal and effectual logic. Overarching umbrella themes establish the growth ambitions to which the venture reaches (Frese et al., 2007), while underneath employees come up with their own initiatives (which represents effectuation). Thus, the company applies *concurrent combination* of causation and effectuation (Smolka et al., 2018).

“We’ve set up a regular cadence of polls and meetings for the entire company. All the information about our business is open and transparent. Everyone, even an assistant can look at our MRR and churn, and you will know the key priorities for the business. [...]. We’re setting big audacious initiatives and themes and we let people come up with their own projects and ideas based on the umbrella theme. Generally, we have four key themes for Pandadoc: One theme is Customer value: we are improving our understanding of our customer profile, the right segments for us and the value that our product should bring to these customers. Employees care about these initiatives, they drive ‘em. Communication is not top-down or bottom-up, it is horizontal. Second theme: Cost structure: we need to cut costs in some areas, and invest in others. And again many individuals on the team take initiatives and run projects that matter. We had a trial-to-value initiative in 2017: we tried to maximise the value that every prospect can extract from our product and we tried to shrink the amount of time in order for that to happen. We brought in the project the sales team, customer success team, product team, having a little bit of every function in every office is what we tried to push to prevent departmental silo”.

Some processes have become standard, for example, hiring. Later employees are expected to have particular tasks rather than to be versatile generalists. When early employees need to define their tasks themselves (Cope, Kempster and Parry, 2011); the skills and knowledge, which will be required from employees as company grows, are not yet clear (Ardichvili et al., 1998), for later employees the level of uncertainty in which they operate decreases. So, the management of later employees may use *causation* (defined role, tasks, planning). The hiring process may be planned based on what the company may need to execute in the near future. This indicates an increased level of causation logic in the company management.

“And at a later stage, when everything is already clear and there are templates by which you can already hire the next and next person”.

To maintain horizontal relationships in the company, both employees and management keep to the same cultural code. And Mikita may be reprimed by any employee for the violation of its articles (if Mikita was addressed by an employee, he cannot send the person back with their issue and should either solve it, or find someone to solve it). It was found that companies with a culture (which is the set of values, beliefs, and ways of thinking that are commonly accepted by an organisation’s members (Patel and Cardon, 2010)), which is based on cohesion, teamwork, and morale, tends to have a higher employee commitment and retention (Cameron and Quinn, 1999). When employees feel being part of a tight-knit team, “this creates a sense of mutual expectation and commitment” (Moynihan and Pandey, 2005, p. 426). When the CEO can be reprimed for violating written cultural norms, this makes everybody equal, not separated in different teams: the top management team and the employees team. The cohesion of the company as one whole is greater. Again, emphasis on teamwork, as opposed to competition, refers to *effectual* logic (Hubner and Baum, 2018). We discuss the question of “Culture Code” in more detail in Chapter 4.7.

“We have written a document that we named “Culture Code” and in it, we are trying to suggest to our partners what we are striving for, what are our expectations from each other are and from the company's employees. What is good about this document: an employee can say: “You, Mikita, have now violated your own code,” and this remark, you know, breaks through. For example, I may break the code when an employee comes to me directly with a question, and I send him to another manager, and they notice to me that this violates the Code, and, embarrassed, I say: “Sorry, I'm guilty”.

Entrepreneurial spirit is supported within the company up to this day. Appreciation for entrepreneurial employees is written in the “Culture Code”. Mikita feels good about employees who leave the company to start their own companies, and even can understand when they take employees along with them. As we discussed in Chapter 4.3 in greater detail, we can infer that Mikita’s orientation towards entrepreneurship in employees refers to *effectual* logic.

“In general, I think that it is good if someone leaves us to start their own company, well, even if some of the employees are taken along with them, I can understand that. This means that we influence the wider community of people outside of our company. There are already three powerful SaaS companies created by our former employees”.

4.7. Employee perspective

We talked to one employee from Pandadoc, we will call her Lisa. Lisa is a programmer who came to Pandadoc over three years ago and could describe the organisational processes of today and those of three years ago.

Lisa sees that the company has changed significantly in the last three years since when she came to work at Pandadoc. Three years ago, Lisa had fewer managers above her, she had more autonomy to offer features for the product than, as she feels, she has today. Three years ago, Lisa used to have much more informal relationships with the product managers (who were very few, at the time, who were felt more like equals). Lisa could offer a feature to the product manager, and there was a big chance it would be added to the development, whereas today it is much more difficult to ram through ideas into the development plan because product managers are very discerning.

With a larger company, the number of managers increases and coordination and negotiations between different managers results in an increased number of administrative communications, approval of ideas becomes more difficult. Katz and Tushman’s (1979) study of development groups shows that when the number of administrative communications (which are not functional communications) increases, innovation decreases. At earlier stages Lisa’s initiatives required only a few negotiations with one or two product managers. Today her initiatives need to get through more decision makers in order to be implemented, through the product management team, which plans the development for the quarter. Administrative communications have increased.

Another important aspect is firm flexibility. When the firm is smaller, it enjoys greater flexibility to vary their output volume (Fiegenbaum and Karnani, 1991). As Fiegenbaum and Karnani (1991) found, small firms have a more flexible cost structure than large firms do, which allows small firms to vary their output volume, while large firms have to maintain a relatively constant level of output. The researchers also found that small firms with high output flexibility tend to outperform small firms with low output flexibility; while large firms with high output flexibility, on the contrary, underperform large firms with low output flexibility. This means that firms which become large are better off keeping a constant level of output. The case of Pandadoc is in line with these findings. Pandadoc having started to grow bigger has structured its work to produce a fairly constant output (quarter cadence of feature development), which diminished previous output flexibility. Thus, according to the researchers this might be the right decision on the company’s side. However, it may cause problems on the employees’ side. According to Hubner and Baum (2018, p. 388) who refer to Mayer and Dean (1990), “when entrepreneurs try to implement organisational structures that become necessary in the growth process, they are often confronted with employees’ distrust of management and their unwillingness to follow experienced, functional specialists”. Lisa says that engineers did express their distrust to the newly embedded organisational structure. However, this constant output may be required by the growing organisation and it may require implementation of a different organisational structure at Pandadoc to better assist in keeping this output. The problem with difficulties to implement grassroot initiatives, however, should be resolved, the solution should not necessarily lie in structural changes, but in the tactic of allocation of free time for own initiatives of

engineers. Or product managers may exhibit involvement, intellectual stimulation, and idea support towards engineers, which was found to be an important aspect of leading creative people (Mumford et al., 2002; Mouly and Sankaran, 1999).

Today is not the same as three years ago. Well, three years ago, there weren't many product managers in general, and I sat in front of the PM across the table and could discuss anything with her with a cup of coffee and propose a feature, we'd discuss it and throw this feature into the plan. Any ideas were appreciated. This is no longer the case. Today, I kind of have a contact with the product manager and I can come and discuss something, but the focus is now on the pre-planned features, and the plan is prepared for the quarter. There is one feature for the quarter planned.

The product development plan is set to develop one feature in the quarter for the team. And the feature for development is decided by product managers. The number of product managers has grown compared to their number three years ago. Programmers now have more difficulties in offering their ideas of new product features. Ideas within the pre-planned (by the PM team) product feature are highly encouraged, but ideas of another product feature, which has not been pre-planned by the product team is very difficult for engineers to ram through. Three years ago, when Lisa came to work to Pandadoc, the product team was much more inclined to put engineers' ideas into the development. Today, the product team aims to maintain the process where the decision on the feature set is more in the responsibilities of the product team, and the ideas coming from engineers need to be highly motivated, have enough of evidence of importance so that the product team would put the idea in the development plan. Lisa's understanding of the organisation of this working process is that a quarter-long feature development demands the whole attention of the team, it is time-consuming (roughly, the team develops only four major product features a year), so product features suggested by the engineers need to be big and important enough to develop them over a quarter and so that they won over the ideas of the product team. Thus, programmers' ideas have to compete with the product team's ideas over the available resources. Lisa feels somewhat dissatisfied with that. One of the tactics suggested by researchers to managers of creative teams is to allow people to work on self-selected problems or problems aligned with their interests and expertise (Arvey and Neel, 1975; Pelz, 1967). Thus, having a possibility to sometimes work on self-selected problems is important for such creative people as Lisa.

That is, it is welcome if you are doing something besides working on features, but the workload is great. Now it rarely happens that I come with a feature proposal, we would discuss and plan it. I mean I can come with any idea on the feature we're working on, but I rarely come with a feature which was not planned. Basically, the product managers' plan is being implemented. I rammed through one feature regarding our emails getting into spam. Our service sends out emails with offers, and they sometimes end up in spam. Product managers used to solve this in such a way that okay, now we started to get into spam – we were able to solve it and get us out of spam, great, let's move on. Globally, this issue was not resolved. I had to show a lot of evidence of this problem with graphs to the PM and I had expertise, and finally we put my solution in the development plan.

Lisa admits that decision making process at the company has become more bureaucratic. There are now more people to coordinate decisions with, than before when she could come over to her PM whom she knew well, discuss the development of a feature; and if the feature had been approved by the PM, Lisa was sure that it would be executed upon. Now some of Lisa's suggestions may be positively assessed and even promised to work upon, but end up being forgotten. Lisa thus feels that the equality of product managers and engineers present three years ago has changed. There are more decision makers above her. And the balance of decision-making power has tipped towards the product management team. Early employees appreciate the lack of routines in the early-stage company

(Hubner and Baum, 2018; Cardon and Tolchinsky, 2006), so these early employees fit better with effectual environment (Hubner and Baum, 2018). Employees can actually favour causal environment, if it is consistent with their motives (Hubner and Baum, 2018; Mumford et al., 2002). As Pandadoc enacted more structures with embedded causation, this created more conflict in the early employees, which favoured the earlier effectual environment more, because it was more consistent with their motives (e.g. participation in goal setting, autonomy). Shalley, Gilson, Blum (2000), however, argue that all creative work environments need to consider and implement some creativity requirements, which are employees' autonomy, work demands, and job complexity. So, it may be seen that when some engineers at Pandadoc cannot implement what they consider to be important, they feel lack of autonomy; and the management could be suggested to try to resolve this issue.

First, there has become more product managers, there are generally more managers, besides Team Lead, there is also a Scrum Master. As for the Scrum Master, many have a lot of questions, why he's needed. Although our Scrum Master... He's not a scrum ambassador, but he is one of the coolest scrum evangelists in our area. Everything has become more bureaucratic. I just recently figured out how to communicate with product managers now. Before, I would come to him with a proposal for a feature, he is like: "Interesting, okay, I'll look into this." And that's it, no further traction. Now I come and ask: when to expect any further actions - that is, I take control of the work on this feature.

Product managers work within the general umbrella themes articulated by top management to them (like improvement of product value, cutting costs and others which were not communicated to us). Further, the company is divided into four tracks: each track has its own product managers and engineers. There is a product track for new markets, a track for existing customers, an API and integrations track, and an internal processes improvement track. Engineers always work within a particular track. For example, Lisa works on the track of product development for existing customers, which implies that they do not develop features for new markets, but focus solely on the markets Pandadoc already caters to. This structure was introduced a year and a half ago (during the process called "Transformation") when the previous organisation by numerous units was replaced by the organisation by four core tracks. The previous organisation by units meant that there were units executing narrowly defined tasks (e.g. payment unit), now all engineers can be engaged in a broader range of tasks going beyond the narrow focus of their previous unit. After the Transformation, the product team became responsible for planning product features development. So, in case of Pandadoc there was a particular moment when core changes in the organisational structure occurred, and this was the Transformation initiative 1.5 years ago.

In general, radical changes took place about a year and a half ago. It was called "Transformation". You see, before that we worked like this: we had units. Each unit had developers, designers, and a tester. And each unit was responsible for something: well, for example, there was a unit of payments, respectively, there the guys only dealt with payments. When the Transformation was carried out, the units disappeared, we still seem to work in a stable team, but we can be given tasks not only in the limit of a narrow focus, but throughout the product.

According to Lisa, engineers did not like the process of Transformation. This often happens after implementation of organisational structures (Hubner and Baum, 2018, p. 388). Lisa explains that engineers did not like Transformation because the workload for engineers is high now and there is now a possibility to be assigned tasks which may require learning new programming languages or learning something very new, which, as Lisa believes, may result in poorer quality of engineers' work. This increases nervousness of engineers. Product managers may not be versed in the technical side, while engineers are expected to be versed in the product side. Lisa thus admits that more tasks are given to engineers and these tasks became more challenging. Three years ago, the tasks of

engineers were tied to their exact competences, and there were more opportunities to work on tasks of own interest, and this was what engineers liked.

This was the point [of Transformation]: all employees should be ready to work in any part of the product. But the programmers really didn't like it. The work is above the roof, and you may, in principle, be given a task for which you need other languages, for example, which you need to learn; and programmers are people who value quality the most, and with this approach, quality suffers first. Yes, team leads understand the complexities of the Transformation, so, in principle, they try to make sure that the team is loaded based on the skills of this team.

Lisa describes that the goals set for the team by product managers are usually not very specific and may imply building a particular feature or achieving a particular effect which may be achieved through different solutions. This is a so-called “*planning effectuator*” approach (Smolka et al., 2018) to decision-making, which implies setting a general direction where the firm is going (representing causation), while experimenting with the product based on the means at hand (representing effectuation). We see a combination of causal and effectual logics here (Sitoh, Pan, Yu, 2014; Dutta, Gwebu, Wang, 2015; Reymen et al., 2016). Lisa described that goals they receive today are less specific than those used to be before; goals today tend to require to search for a solution, and the solutions may differ, which implies that the team needs to experiment (applying effectual logic to arrive at effects which would satisfy the sought goal). The engineering team receives a goal from the product team, but the engineering team structures the tasks itself. Such goal-setting which allows for autonomous task-setting allows to increase autonomy of employees (Umstot, Mitchell, Bell, 1978). These broadly described product-value-oriented goals (Jiang and Rüling, 2017) have ambiguity with regard to what needs to be attained, have vague directions, which suggests that the team needs to work as *effectuators* under *planning*. That is why engineers work as *planning effectuators*. The team rarely fits the deadlines, time assessments proved to be wrong most of the time, thus Lisa puts some slight in her words about planning deadlines. Quarterly planning is also approximate, because planning is very hard with creative tasks.

Goals, which were set to the unit of engineers at earlier stages tended to be more specific and actionable, accompanied by clear tasks; when these goals were set, they forced a departure from the effectuation mode into a *causal* execution mode. At the same time, at the early stage, engineers could apply *effectual* approach when they could generate their own goals based on the available means.

Today, the planning effectuator approach for engineering teams is dominant; effectuator approach, by Lisa's words, happens rarely. The “planning effectuator” approach implies that the goals (causation) are mostly set by product managers and the engineering teams experiments with solutions (effectuation). At Pandadoc's earlier stages, there was more space for pure effectual decisions: the workload in the unit was not that high and planned. For example, the payment has been implemented and the work was passed over to another development unit, the the payment unit would have some free time. This time could be used by engineers to bring forth their own initiatives.

If we compare the goal-setting at the level of product managers to engineers with the level of top managers to product managers, we see that the goals set by product managers to engineers are much more specific as compared to broad umbrella themes and less specific long-range ambitions, which are set by top managers for product managers. However, in both cases we see *concurrent combination* of causation and effectuation (Smolka et al., 2018).

The difference between the logics of today and three years ago are in the level of engineers: three years ago, engineers operated under causal, effectual and planning effectuator logic; whereas today it is predominantly the planning effectuator logic.

“How goals are defined? Not specifically as before. More like we need to find a solution to the goal. We then come up with ideas, think through the architecture for, like, a month without writing a line of code, and then start coding.”

“Deadlines? We bailed on time. We never fit in time”

Lisa reflected on the “Culture Code” in Pandadoc. What used to work yet three years ago, with company growth, today, started to digress from what is written in the culture code. Now the founders do not hang out with employees as before, the founders rarely visit employees. Managers who came lately do not perceive the founders as equals, as early employees did, and perceive the founders as chiefs, thus cementing subordination. This gradual digression from some of the codes of conduct proclaimed in the Pandadoc’s “Culture Code”, is important and should require a more acute look from management.

It was found that companies with a culture (which is the set of values, beliefs, and ways of thinking that are commonly accepted by an organisation’s members (Patel and Cardon, 2010)), which is based on cohesion, teamwork, and morale, tends to have a higher employee commitment and retention (Cameron and Quinn, 1999). When employees feel being part of a tight-knit team, “this creates a sense of mutual expectation and commitment” (Moynihan and Pandey, 2005, p. 426). Higher levels of “group culture lead to better coordination of efforts, resources, routines, and systems. This, in turn, may lead to greater levels of productivity at the firm level, particularly when the firm is faced with high levels of competition in their product markets” (Patel and Cardon, 2010, p. 270). Lisa finds that employee cohesion started to deteriorate. The consequences of that may be significant. Patel and Cardon (2010) found that, especially in the situation of a competitive market, company culture strengthens the firm’s propensity to adopt HRM practices (e.g., such practices as employee training, employee motivation, recruitment of valuable human capital), which further leads to higher labor productivity. Pandadoc’s competition may significantly increase in the future, and Pandadoc could benefit from its strong culture, which will enable to increase labour productivity. However, if the culture deteriorates and Pandadoc grows into a large company where the organisational structure gets bigger and more solid, Pandadoc will have to overcome limitations of existing formal structures to develop and implement group culture. As far as Pandadoc already enjoys strong culture, it would be prudent to rectify aspects where it is deteriorating now, while the company is medium-size, which will be rewarded in the future by facilitation of implementation of HRM practices and the resulting labour productivity.

The “Culture code” now seems to exist, but more in words. Three years ago, it really worked. Yes, three years ago the employees could “rebuke” Mikita based on the “Culture Code”, but now, as I see, firstly, then, the founders used to come often and hang out with everyone, now it is rare, and managers also perceive them as chiefs. Therefore, as before, the “Culture Code” no longer works.

The key note of the “Culture Code”, according to Lisa’s perception, was that employees need to work with people it is pleasant to work with. This served to create a safe and pleasant working environment. Due to recent aggressive hiring and remote work, the principles of the “Culture Code” were forgotten, which changed the working environment from cooperative, team-oriented and safe to more competitive and less safe. At firm’s early stages, employees tend to be not very heterogenous due to

self-selection, however, as the firm grows and matures, heterogeneity increases (Hubner and Baum, 2018). Thus, colleagues may be more and more different. As we see this created a problem for Lisa. In more general terms, the problem is in the reduction in team cohesion. Cameron and Quinn (1999) argue that companies where culture is based on cohesion, teamwork, and morale often tends to enjoy greater employee commitment and retention. So, the problem of cohesion should not be glossed over and justified by inevitable employee heterogeneity. “Culture Code” was meant to keep cohesion of the company where there are heterogenous employees.

It would be important for management to look into this issue, because we see a fact of incongruence of what is declared by the “Culture Code” and the real practice of keeping to the “Culture Code”. There may be consequences for potential job seekers who familiarize with the company’s “Culture Code”, but will experience a significantly different reality as they will come to work at the company. The incongruence of job seekers and the organisation in terms of mission, values and culture tends to lead to high attrition (which is separation from the organisation) and employee turnover rate (Chatman, 1991).

In addition, with the pandemic, many began to work a lot remotely, many new developers were hired, who have only worked remotely ever since, I just don't know many of them. The essence of the “Cultural Code” was that we work with those with whom we like to work; we even had a case when a developer was hired, he was a great specialist, but the team did not like his character, and he did not pass the test, and he was not hired. Now different people are working in the company. In fact, three years ago it was really much more comfortable, there were no people who were ready to do some dirty tricks to you, everyone worked for the good of the team. I didn't use to expect a trick from anyone, but now I can expect it. Well, it happens, for example, our team, as a whole, loves to criticize, and now we will give a critical assessment of a feature from some product manager, and he will harbor a grudge, and then it will spill out somewhere. There is now such an unpleasant thing that did not exist before.

Lisa agrees that how the company is perceived by the founders differs from how the company operates today. The narrative of founders relates to what the company used to be two or three years ago, but the current state of processes in the company does not reflect many things of this narrative.

There on the top, guys have a successful business and money, here on the bottom, you putting up fires and deal with mess.

The company has gone through a conscious transformation process where a clearer structure has been implemented with the aim to set the company for future growth. Overall, Lisa perceives current working environment as just another phase, which will segue into some other as the company keeps growing and maturing.

The organisation of processes changed, but it will forever be like that. This current thing is not also final.

5. Discussion

5.1. Internationalisation

Pandadoc is a Belarusian born global firm which internationalised from inception within two years since its establishment. The decision to internationalise was made, because the domestic market did not legally allow the use of the e-signature technology, additionally, the local Belarusian market would be too small to achieve financial viability due to insufficient quantity of sales teams as the target group in the domestic market. These internationalisation reasons are characteristic for born globals (Madsen and Servais, 1997; Preece, Miles, Baetz, 1999; Kubičková, Votoupalová, and Toullová, 2014).

Pandadoc's decision to internationalise was also made due to a strong commitment by the founders to the idea of internationalisation. The founder of Pandadoc, Mikita, had a global vision for the company, he also received international experience from his first visits by Work and Travel program to the US and, after that, his first company Coding Staff was developing software for international customers. Founders' global vision and prior international experience were found to be common for founders of born global firms (Moen, 2002; Kundu and Katz, 2003).

Pandadoc's internationalisation strategy was formed around the technological solution which provided the company a source of competitive advantage (Freeman, Edwards, Schroder, 2006) in a niche, but potentially growing market. Storey (1996) showed that small firms, which aim to grow, tend to work in profitable and expanding market niches. Chetty and Campbell-Hunt (2004, p. 63) argued that for born-globals "both the focus and the pace of internationalisation are dictated by competitive imperatives to seize a leading position in the niche or emerging markets". To get a leading position in their niche, Pandadoc had to overcome the lack of trust from customers to their company. Pandadoc was not trusted because it was not perceived as an insider (Johanson and Vahlne, 2009) in the foreign market network. To develop an insider position in the network of their key market and thus to increase customer trust in the product (and customer willingness to pay for the product), Pandadoc decided to establish their physical presence in the United States, their major market. If Pandadoc did not build that trust and did not scale its sales, there was a big chance for the company to cease to exist (Kuivalainen, Saarenketo and Puumalainen, 2012).

Moving to the US, Pandadoc started to develop its insider position in the US network. That effort was successful. Pandadoc was able to increase customer trust in the product and increased the average check of deals. After Pandadoc started to succeed in selling its product in the US, the company showed commitment to the strategy of growth through partnerships (Freeman, Edwards, Schroder, 2006). Pandadoc secured partnership with a big well-known company HubSpot. At some point in time, HubSpot became Pandadoc's key partner driving 24% of sales. To break out from dependence on HubSpot, Pandadoc carried out a successful effort to decrease HubSpot's share in Pandadoc's overall lead generation by increasing the share of other sources, which is an important move for a born global firm, if the born global firm wants to become independent rather than remain a small satellite in the orbit of a bigger company (Gabrielsson et al.'s, 2008). Pandadoc is now starting a further diversification of its internationalisation to smaller markets. Rapid internationalisers would often use the internationalisation strategy of exploitation of one key market to derive the wherewithal to invest in broad diversification of markets (Morgan-Thomas and Jones', 2009). Pandadoc is an

example of such internationalisation strategy. This international expansion is limited by the legal regulations in countries: Pandadoc's potential markets for expansion are limited by those ones where electronic signature is legally significant. Today, the company is growing fast and is getting ready to step out of being an SME into becoming a large company. Our analysis captures Pandadoc on the edge of becoming a large company, which makes it interesting to look at its decision-making logic in the growth stage.

One of Pandadoc's important internationalisation lessons was their way of overcoming their outsider position in the foreign market. The founder moved to the US, opened an office there, met with and sold to customers directly to develop the company's customer base. As the company lacked any partnerships with intermediaries in the US, it had to move to where their customers were, to the US. As Pandadoc managed to earn some trust in their product in the US, it then applied the effectual principle of self-selected partners (the *Crazy-quilt principle* of effectuation (see Table 1)) who were willing to cooperate. The founder was lucky to get an advisor who was a person from the same industry just slightly ahead of Pandadoc in experience in the market, and Pandadoc used any acquaintances of this advisor to have them as partners. Pandadoc contacted potential partners via LinkedIn and cooperated with anyone willing to partner with them. Soon, having applied this *Crazy-quilt principle* of effectuation, Pandadoc was able to reposition itself from an outsider into an insider within the network (Johanson and Vahlne, 2009), which allowed it to grow further more confidently. Pandadoc was further putting a strong emphasis on growth through partnerships.

The second important internationalisation lesson by Pandadoc implied breaking out of dependence on key partners, as it is suggested by the literature (Gabrielsson et al.'s, 2008). Having reached a big share of lead generation coming from one partner, the CRM HubSpot, Pandadoc invested in other growth channels (distributors, resellers, Inbound marketing etc.) to decrease dependence on HubSpot. This set the company on the further growth path as an independent company and did not allow to end up as a satellite of this CRM.

Ergo, development of insider position in the foreign markets through effectual logic of partnerships, as suggested by Johanson and Vahlne (2009) and Sarasvathy et al. (2014), was critical for Pandadoc's survival, but dependence on some key partners had to be later overcome in order to remain an independent company set for further growth, as is suggested by Gabrielsson et al.'s (2008) internationalisation model for born globals.

5.2. Leadership style

Hubner and Baum (2018) offered behavioural patterns of entrepreneurs towards employees for causal and effectual logics (see Fig. 1). In this section we aim to concisely summarise which of these behaviors are present at Pandadoc. Here, we aim to look at the average leadership style at Pandadoc. Therefore, for *unit of analysis*, we take the general firm orientation towards the two decision-making logics trying to avoid idiosyncractic behaviours pertaining to a particular temporal stage of the company.

Effectual leadership behaviour at Pandadoc includes:

1. Creation of a flexible and informal environment.

- a. Pandadoc’s vision and “Culture Code” are focused not only on goals formed in economic terms, but focused on forming culture and climate leading to openness, trust, and challenge, which creates an *informal environment*.
- b. Quarterly cadence of development is set for all company; however, deadlines still remain *flexible* due to inability of teams to fit into deadlines in creative work.
- c. The “Cultural Code” ensures the horizontal culture of the company an empowers employees excluding privileged exceptions for management, which contributes to *informal communication* in the company.
- d. At Pandadoc, all the information about the company is transparent and available to anyone. An intern may have the same data and information about the company as the CEO, which equalises everybody. No person holds more valuable information than others. This contributes to *informal environment*.

2. Stimulation of learning processes

- a. The importance of *learning* is underscored in the company’s vision and “Culture Code”. It was often underscored by Mikita in our interview.
- b. Today engineers need to be able to work in any part of the product, which increases work demands and job complexity, and this, in turn, increases the importance of ongoing *learning*.
- c. For first employees’, their ability to learn fast on the go was a critical factor.
- d. Mikita himself walks the talk and learns. For Mikita, it was also critical to learn how to sell the first versions of the product himself, before hiring employees and delegating it to them.

3. Allowing employees to co-create the venture

- a. Mikita *co-created* his first company Coding Staff with employees who were almost perceived as stakeholders: the company was eventually sold to employees for very little. First employees at Pandadoc also acted entrepreneurially co-creating the venture with only difference that, this time, they were not stakeholders.

4. Assignment of broad responsibilities

- a. The responsibilities of product managers are regulated by *broad umbrella* themes.
- b. Engineer’s tasks have become *broader* and require finding creative solutions instead of specifying what exactly should be done.
- c. Engineers today need to work in all parts of the product.

5. Allowance of experimentation

- a. The path to finding a viable strategy was through *experimentation*, bumping and stumbling, and finding what works for the company.
- b. Encouragement for *experimentation* is written in the “Culture Code”.

What we did not find is the behavior of leveraging competencies. We lack information about this aspect. We know that team leads try to leverage the competencies of teams rather than assign them tasks from parts of the product where they may suboptimally perform. We also know from Lisa’s words that her expertise in resolving the getting-into-spam issue allowed her to pursue the solution for this problem, but this took some finagling on her side and was not very easy. Thus, we consider that we lack information to infer something about leveraging-competencies behaviour.

Causal leadership behavior at Pandadoc includes:

1. Setting pre-defined goals

a. In the domain of product development, *pre-defined goal-setting* is regularly practiced at the level of product managers to engineers. Less often from the top level.

2. Formulation of a goal-orientated vision

a. Long-range *goals* are used in the vision.

3. Planning in detail

a. In the domain of product development, *planning* is used in the company in quarterly development cadences, initiatives and programs, within the teams (autonomously).

Behaviours which we did not find are “setting incentives” and “intentional promotion of competition”. KPIs with rewards-based system were rejected at the early stage. Competition is not intentionally promoted, but arises more because of digression from the “Culture Code”, which aims to build the culture of cooperation and teamwork.

In summary, it can be averred that Pandadoc uses both logics in its overall leadership style with a bigger emphasis on effectuation, which is underscored in Pandadoc’s emphasis on teamwork and cooperation, than setting incentives and internal competition.

5.3. Decision-making

As shown by Alvarez and Barney (2005; 2007), decision-making logic is dependent on the context. When the context changes, the decision-making logic at the company is also likely to change either to another logic or a combination of them (Read and Sarasvathy, 2005; Reymen et al., 2015). At Pandadoc, we see that, changes in decision-making logic follow the company as it moves from early to later stages.

In Figure 5, we present the overall scheme of allocation of decision-making logic at Pandadoc in time: from the stage of the founding team with a few earliest employees to the stage with early employees, and finally, to the stage with late employees. As was admitted in our methodology, we did not try to build a variance theory, which seeks to explain *why* things play out as they do over time, why effectuation/causation happens and what it impacts. The research aimed to provide a process theory, which is interested in *how* effectuation is allocated. This overall model of effectuation/causation allocation at Pandadoc (Fig. 5) shows how the two logics were present at three company stages. Further we provide a detailed discussion of effectuation/causation allocation at Pandadoc.

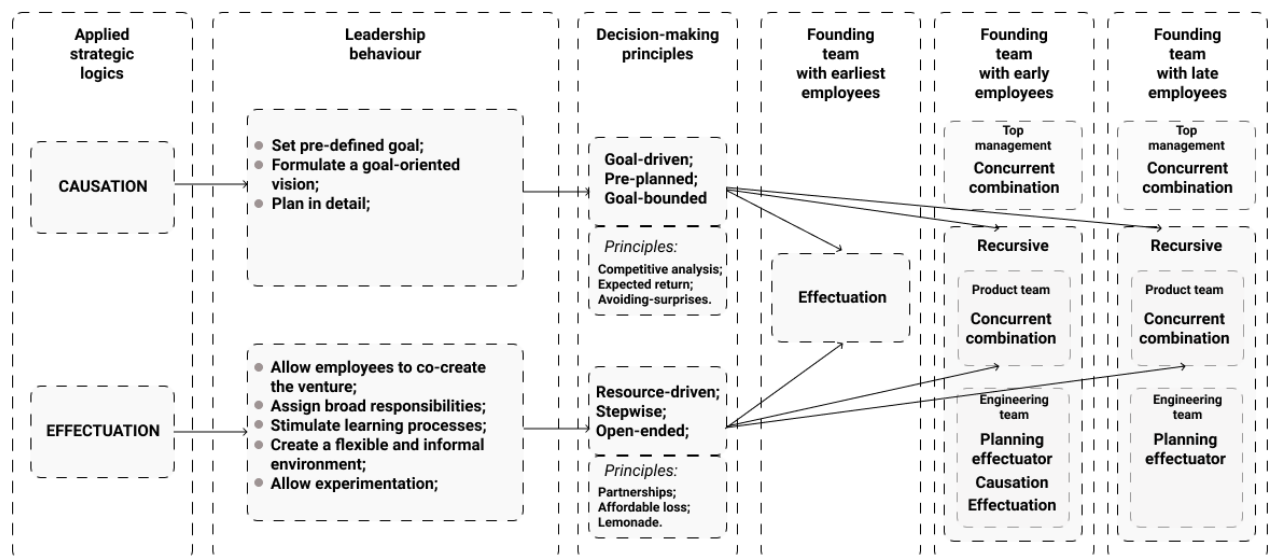


Fig. 5. Scheme of allocation of causation and effectuation.

Further, on Figures 6, 7, and 8, we present decision-making logic at each of the three growth stages at Pandadoc, respectively.

5.3.1. Stage of founding team with earliest employees

At the stage of founding team with earliest employees at Pandadoc (see Fig. 6), decision-making logic was allocated between the founding team and a few first employees (which were hired prior to Mikita’s departure to the US and, thus, prior to the validation of Pandadoc’s business idea) without any organisational structure. The founding team worked on the product effectually under uncertainty about the value of the product to customers, viable business model and scaling potential. The first employees operated in this same level of uncertainty as the founding team, and they worked close to the founding team. This is in line with research that small entrepreneurial firms have very scarce organisational structures (Patel and Cardon, 2010), early employees work close to the founders (Vecchio, 2003) and execute versatile tasks, work creatively and independently, make multiple decisions (De Jong and Hartog, 2007). Both the founding team and the first employees had to apply effectual logic towards the uncertain external environment.



Fig. 6. Scheme of allocation of causation and effectuation at the stage of founding team with earliest employees

Further, we argue that effectual logic was applied in Pandadoc's internal environment in relationships between the founding team and the earliest employees. When Pandadoc was a small team of six-eight people, all newly hired employees had to be entrepreneurial. According to Chen (2013), early-stage employees are distinctive from the later employees in that they play an equally important role as founders in building and scaling startups. Pandadoc's early employees all had to be highly entrepreneurial, that was the only requirement. They could lack various skills which they might have required further in their job, but the entrepreneurial streak in them had to allow them to learn what is required fast on the go.

The earliest employees' task was building and scaling the startup, but what should be done and how it should be done at that stage was uncertain. Management could not provide guaranteed recipes of what should be done. Earliest Pandadoc's employees had to do different activities and apply different skills and have high autonomy. This is in line with research that early employees need to define their tasks themselves (Cope, Kempster and Parry, 2011); the skills and knowledge, which will be required from employees as company grows, are not yet clear (Ardichvili et al., 1998). Mikita intentionally sought entrepreneurial employees who would be able to co-create effectually the emergent startup, just as other team members. Mikita was willing to gloss over their any lack of competences, but he needed their entrepreneurial abilities to create from scratch under high level of uncertainty. This means that employees were co-creators at early Pandadoc, they were not followers who had to be managed by the leader. According to Hubner and Baum (2018) if the company relies on effectuation, "employees will be seen as partners who co-create the firm, while their competencies are leveraged as means for the firm" (p. 381). Also, Hubner and Baum (2018) suggested that at early stages of a venture, idea generation is most important, and effectuation will be most suitable logic for it. At later stages idea structuring and promotion become important, which will demand both causation and effectuation. Thus, it can be concluded that the earliest employees had to be autonomous and creative enough to be able to co-create growth of the startup under high level of uncertainty about the product and the market. Hence, both the founding team and the first employees applied effectuation.

5.3.2. Stage of founding team with early and late employees

At companies with creative people, when the organisational structure starts to emerge, there appears a need to lead creative people where the leadership needs to reconcile competing demands of leading people and supporting their creativity (Mumford et al., 2002). The tactics used to satisfy these both demands begin to be represented in the company's organisational structure and the decision-making logics embedded in this structure. Thus, the initially unstructured effectual decision-making gets replaced with a more structured level-based decision-making.

In this subsection, we present two schemes. The scheme of decision-making logic of the founding team with early employees (see Fig. 7) and the second scheme of decision-making logic of the founding team with late employees (see Fig. 8).

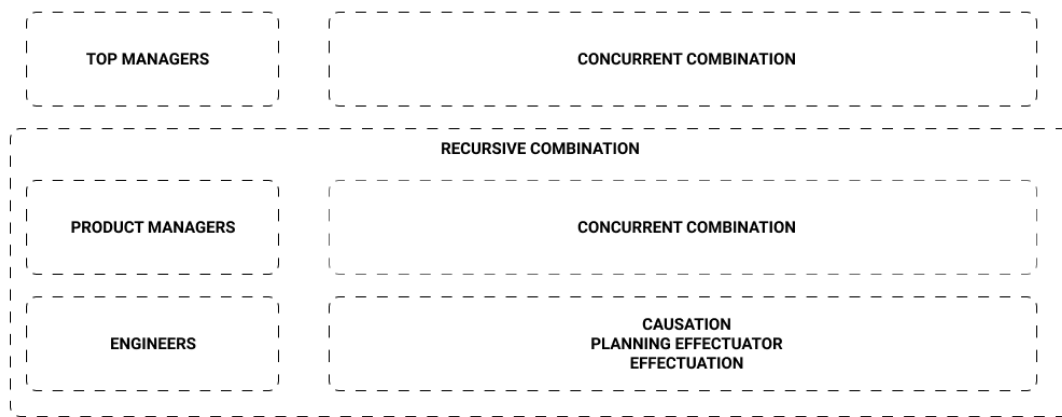


Fig. 7. Scheme of allocation of causation and effectuation at the stage of founding team with early employees

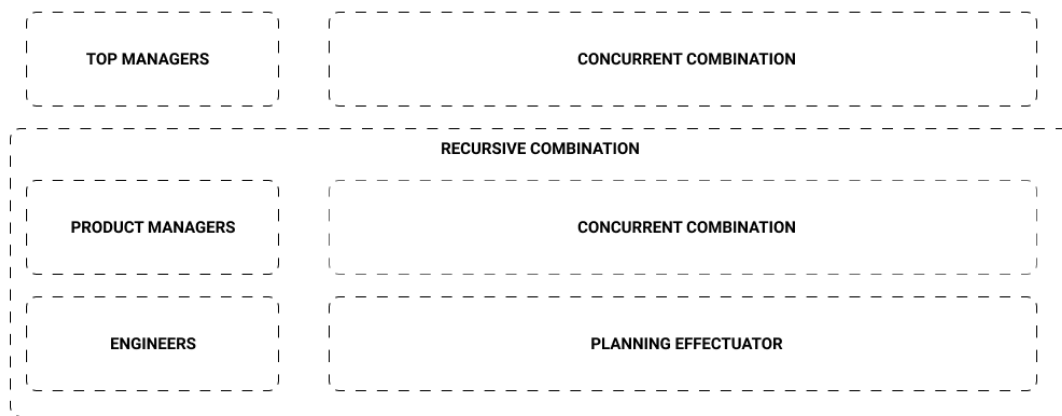


Fig. 8. Scheme of allocation of causation and effectuation at the stage of founding team with late employees

First, we provide a short description of what is depicted on Figures 7 and 8. At the top, there is the top management level. Top management is described to apply the logic of concurrent combination of causation and effectuation. Below top management, the square depicts application of recursive combination of causation and effectuation. Within this square of recursive combination, there are product managers and, below them, engineers. Product managers on both schemes apply concurrent combination of causation and effectuation. Engineers's logic on Figure 7 differs from the logic on Figure 8. The power relationships are top-down in all schemes: from top managers to product managers to engineers. As can be seen, the two schemes, Figure 7 and 8, differ only in logics at the engineers' level, which means that in transition from the early to late stage, decision-making logic at Pandadoc significantly differed only at the level of engineers.

Concurrent combination: top management level

The structure of top management's decision-making – which is based on core "umbrella themes" – remained consistent throughout all the company's years. On both schemes (see Fig. 7 and 8), top management is described to apply *concurrent combination* of causation and effectuation. The concurrent combination implies that the goals and plans (causation) establish boundaries broadly or

in a long-range timeframe, and concurrent effectual experimentation may be possible within the set boundaries. Top management at Pandadoc sets goals broadly or in a long range (which represents causation): within these boundaries, product is developed by the product team and engineering teams. Product and engineering teams set their own goals based on the available means (which represents effectuation). Thus, the decision-making logic of top management is concurrent combination of causation and effectuation.

If we look at the top management level, we see that top management singled out separate tracks to which all employees are allocated. Top management applies the same decision-making logic to all of these tracks: which is concurrent combination of causation and effectuation. Top managers do not use a different logic, for example, to a more risk-prone track for new markets, all tracks are managed equally with the same logic: the employees inside these tracks are the main decision-makers, limited by top management only by broad boundaries of “umbrella themes” and long-term goals.

The invariability of the concurrent combination of causation and effectuation at the top management's level is interesting. No factors had changed it. For instance, Reymen et al.'s (2015) research found that pressure from investors may push companies to a greater increase of causation; and that an increase in uncertainty would lead companies to take an effectuation-based approach, while decreased uncertainty would lead to an increase of causation (Nummela et al., 2014). What we know about Pandadoc is that it raised investments three times, it develops new markets in new industries or in new countries (where they face some level of uncertainty). However, its decision-making logic at the top management's level remained fairly consistent (concurrent combination of causation and effectuation) in the transition from early to late stage. Pandadoc preserves this decision-making logic. According to Mumford et al. (2002), leaders of creative people need to meet contradictory demands: they must encourage exploration while insuring timely production of a viable product. Thus, leaders need to combine effectual and causal approaches to lead creative teams. Application of concurrent combination allows top management to set strategic umbrella boundaries (which represents causation), but the solutions are delegated to the creative teams to experiment how to achieve this (which represents effectuation).

Recursive combination

In the transition from the company's earlier stages to late stage where the company is right now, a notable change in decision-making logic occurred. The change that was carried out was called Transformation and occurred 1.5 years ago. Transformation regrouped all development units into four tracks and set a clear-cut cadence of outputs throughout the company. In the process of Transformation, the product development process obtained a more clear-cut role division on those who are responsible for ideation of features (product managers) and those who are responsible for their technological implementation (engineers). Engineers significantly lost in the possibility to ideate new features of the product. The new organisational requirement of quarterly output led to a significant reduction in non-preplanned initiatives. Before the Transformation, engineers had had time for effectual decision-making due to a surplus of resources (more free time, more flexible planning, fewer managers above the engineers enabled engineers the opportunity to suggest and implement product features). After the Transformation, effectual decision-making has greatly reduced.

That decision-making logics changed only at the engineering level can be seen from comparing Figure 7 and 8. As the company grows, “meeting external challenges requires meeting market needs, while internally modifying resource allocations, updating routines, reinventing learning processes, and changing existing structures” (Patel and Cardon, 2010, p. 280).

On our schemes (see Figure 7 and 8), the logic responsible for change in existing structure is represented by the square with *recursive combination* of causation and effectuation. Recursive logic is applied by top managers and representatives of the teams whom it may concern (e.g. team leads, product managers, engineers). These decision makers adjust the organisational structure based on the company’s demands.

As we previously admitted, the decision maker applying recursive combination alters and adjusts plans based on the feedback from environment. If we link this explanation to Pandadoc’s case and express it in abstract terms first, Pandadoc found itself in the new context; this context had become an input for search for a new organisational structure; a new organisational structure had been found, and the Transformation process of the organisational structure was conducted.

Recursive combination implies that a plan can be used as “a guideline that can be deviated from, while still providing an underlying structure, when new information creates awareness about and access to new opportunities” (Smolka et al., 2018, p. 579). If the chosen plan is appropriate, it holds. If the plan starts to not fit the environment, the new received information from the environment triggers change of the initial plan.

A possible explanation why the Transformation process was conducted at Pandadoc is that Pandadoc has recently started approaching to outgrow the frame of an SME. Pandadoc thus had to ideate and implement a new organisational structure for product development at a soon-to-be large company to achieve better efficiency in the use of internal resources.

We assume that effectual decision-making had been applied in the first stage of the restructuring process: because the internal means of the company were analysed by top management to better position the company for future growth (this represents effectuation). When the new form for the company’s organisational structure had been found, the initiative called Transformation had been implemented, and the new structure with clear-cut role divisions and quarterly cadence started to guide the company’s product development (this represents causation).

Today, this newly developed structure governs all activity of employees, however, if a recursion process will be launched again when the context for the company will change and will demand searching for a new organisational structure, the recursive logic will carry out changes in the structure. We may hypothesise that the logic at the top management level will remain the same due to the fact that company works with creative people who require autonomy.

Planning effectuator: engineers’ level

What notably changed at the late stage of the company was that three types of logic (causal, effectual, planning effectuator) at the early stage, at the engineers' level, were narrowed down to only one, the

planning effectuator logic (the term introduced by Smolka et al., 2018). The possible explanation is that it was made to achieve greater resource efficiency.

We know that, the output from employees has been set by top management at a fairly constant, quarterly, cadence of development (which, according to Fiegenbaum and Karnani (1991), may be a necessary decision for a company getting ready to be large: it should maintain a relatively constant level of output and cannot enjoy output flexibility anymore). The workload for engineers was set so that little time was left to them for side activities. This eliminated effectual decision-making. Task complexity for engineers also increased, they are no longer given concrete tasks, but need to think of creative solutions. This eliminated causal logic under which engineers used to operate before. What remained is *planning effectuator* logic combining causal goal-setting and effectual creative experimentation. Employees workload is high (hence, efficiency is high, and the company enjoys it). Under the *planning effectuator* logic employees have both causal and effectual logics while separate causal logic and separate effectual logic were eliminated. The logic of the *planning effectuator* implies that employees can experiment and make use of resources at hand (knowledge, networks, etc.), but they are given a certain effect that they need to achieve (which represents causation); usually, different solutions are possible (which represents effectuation) to achieve the given effect, engineers come up with the appropriate solutions to the set goal. Engineers think effectually, but they remain committed to the goal and try to approximately keep to the *planning* mechanism.

It could be discussed whether the sole *planning effectuator* logic suffice for engineers. Shalley, Gilson, Blum (2000) argue that what is required for the work environment of creative employees is employees' autonomy, work demands, and job complexity. So, it may be seen that when some engineers at Pandadoc cannot implement what they consider to be important, they feel lack of autonomy. At the same time, work demands and job complexity increased: the tasks that are today given to engineers are much more general in descriptions and complex (e.g. tasks now may concern any aspect of the whole product) than those that existed when employees were grouped by functional units and had to solve often narrow parts of a bigger feature. Thus, the work environment today, of the three requirements for creative employees (autonomy, work demands, and job complexity), has failed to provide enough autonomy. While work demands and job complexity have become optimal for creative people.

This autonomy existed at the stage of early employees (see Pic. 7), when employees were grouped by units. This was because after the unit would complete their task (e.g. payment system for a bigger feature), the work on the feature could be continued by other units and the payment unit had some free time to pursue their self-selected activities. That created a feeling of autonomy in the early employees, which they lack today. Shalley, Gilson, Blum (2000) argue that autonomy, work demands, and job complexity are important for all creative employees. So, it may be argued that the current lack of autonomy should be rectified in the future, for example, by enabling free time for employees to pursue their initiatives, which will rebalance their aspiration of autonomy. This tactic is used by many technology companies (e.g. Google). Alternatively, participative goal-setting may be used for that effect. We discuss it in more detail a bit further.

Reflection on changes in Pandadoc's decision-making logic

Looking at the changes in the organisational structure and its decision-making logic at Pandadoc, we find confirmations in academic articles about the benefits of actions undertaken by the company's management, but we also find one problematic aspect.

The Transformation initiative undertaken at Pandadoc may be beneficial for maintaining a relatively constant level of output, which is required for a large company. Large companies cannot enjoy output flexibility, which SMEs enjoy (Fiegenbaum and Karnani, 1991). And Pandadoc is getting ready to become a large company. Thus, Transformation was timely conducted to set the output at a constant level.

Shalley, Gilson, Blum (2000) argue that autonomy, work demands, and job complexity are important for all creative employees. The Transformation initiative has increased job complexity and work demand from employees, which may be good.

The problematic aspect is that, while product managers managed under concurrent combination of top management enjoy a high level of autonomy under broad umbrella themes, engineers get more specific goals, and engineers lost their previous possibility to pursue self-selected goals. It might signal that their autonomy has been significantly reduced, and this is suboptimal for creative engineers.

In case Pandadoc is currently constrained in human resources, and cannot allot free time to creative engineers at this stage, an alternative solution can be undertaken. Given that the goal-setting needs to remain, a possible solution is participative goal-setting. Participative goal-setting procedures allow employees more autonomy than goals assigned to them (Shalley, Gilson, Blum, 2000). Delegation of responsibility and participative management were found to be required in management of human resources to achieve superior organisational performance (Dobbs and Hamilton, 2007). Arvey and Dewhurst (1976) and Mossholder and Dewhurst (1980) found that participation in goal-setting increased satisfaction. And job satisfaction increases commitment (Hubner and Baum, 2018; Mathieu, 1991). It may be suggested that participative goal-setting could solve what is perceived to be a problem of autonomy by engineers.

Involvement of creative engineers in the goal-setting process on the product features, could enhance their feel of autonomy, which they lack. Although Panaccio and Vandenberghe (2011) find that goals and planning allow to increase in employees the clarity of their roles in the company and this increases commitment, we see, based on our interviewee Lisa, that creative engineers may lack the feeling of autonomy, when all the goals are assigned to them. It might be reasonable to allot some time for employees to pursue their own initiatives or let them participate in goal-setting in order to return some level of autonomy to creative engineers. The feeling of autonomy and control, at least, reduces the likelihood of burnout in employees (Schaufeli and Bakker, 2004).

Discussion of propositions

Proposition 1. Born global firms apply a combination of causal and effectual decision-making.

On the example of the born global firm Pandadoc, it was found that the organisational structure operates under combinations of decision-making logic. Top management level applies concurrent

combination of causation and effectuation towards product managers. Product managers apply concurrent combination of causation and effectuation towards engineers. Engineers at early stage used to apply three types of logic (causation, effectuation, planning effectuator); today they apply, the planning effectuator logic. And there is a recursive logic applied where representatives from several levels may participate. The proposition is confirmed.

Proposition 2. The combination of logics in born global firms is predicated by changes in endogenous or exogenous environment.

Pandadoc's organisational structure was changed to increase efficiency in usage of human resources. It might be assumed that as fast-growing Pandadoc started to approach the size of a large company, it had to organise human resources more efficiently. Thus, endogenous factors caused the company to reshape its organisational structure. As a result of that, the combinations of logics in the structure changed. Proposition 2 is confirmed.

Proposition 3. The logic in born global firm at the stage of earliest employees is similar to the logic at the stage of the sole founding team.

It can be concluded that the earliest employees were found to be using effectual logic, just as the founders did. The earliest stage employees were co-creating growth of the startup applying the same decision-making logic as founders. The proposition 3 is confirmed.

Proposition 4. The combination of logics in born global firm at the stage of late employees is different from the combination of logic at prior stages.

Decision-making logic of employees at the late stage differs from the decision-making logic in early stage – at the lowest level of engineers. Engineers at early stage used to apply three types of logic (causation, effectuation, planning effectuator); today they apply, the planning effectuator logic. For the upper levels in the organisational structure, decision-making logic has not changed. Also, decision-making logic of employees at the late stage differs from the decision-making logic in the earliest stage. At the earliest stage the logic of the company was effectual, while at the late stage it became combinatory. The proposition is confirmed.

5.4. Practical implications

This research contributes to an enhanced understanding of the mechanisms of decision-making in born global firms in their transition from the founding team to a medium-sized company.

Our scheme of allocation of strategic decision-making at a born global can be used to stimulate practitioners to reflect about their organisational structure, which could allow to combine both causal and effectual decision-making logics at the top and lower levels of the company. Practitioners may benefit from considering the combinations in which flexibility and experimentation of effectuation can fit with planning-based causation at the top and lower company levels, as well as at an early and later stages of the company.

Our findings imply that combinations of effectuation and causation may enable entrepreneurs both to plan and to experiment, to set goals and to exploit means. It should also develop entrepreneurs' ability to combine both types of logics in patterns different from the combinations described in our model to pursue their specific goals.

5.5. Limitations and suggestions for further research

Our research contains three major limitations which could guide our future research. First limitation concerns insufficient information about the variety of decisions made at the top level. Top managers were found to use broad umbrella themes, long-range goals and programs and initiatives which convene representatives from all departments preventing departmental silo. A closer look at managements decision-making logic in day-to-day activities could uncover how often top management engages in product development, and whether top management resort to occasional causal decision-making. A closer look could uncover a more realistic picture, problems or tensions.

Second limitation pertains to our interview with only one engineer. If we talked to more engineers, we could find that in some teams causal and effectual decision-making could be more present than in Lisa's team. Other teams may work with different team leads, product managers, on other tracks with other tasks. Information from more employees could lead to corrections in our model.

Third limitation concerns our lack of information about crises or significant events and the surrounding decision-making. Nummela et al. (2014) found critical events leading to change of decision-making from causal to effectual, thus their research uncovered sequential pattern of decision-making. We did not find such a pattern, because normally such patterns are not embedded into the company's structure. Analysis of significant events could reveal how combinatory logic, which we have identified in our research, changes or does not change in such critical events.

Suggestions for future research would include addressing the aforementioned limitations. Another suggestion is studying Pandadoc's logic in the period of becoming a large company. This would accomplish the picture of decision-making logic allocation from the earliest days of the company to becoming a large born global firm.

Another important suggestion is to further develop the distinct types of logic combinations. We operationalised the concept of "effectuation allocation" basing on three types of combinations: concurrent, recursive, sequential. However, concurrent combination includes both broad goals and long-term goals, which are different subtypes of concurrent combination. A further more refined development of combinations may be suggested to allow future researchers to characterise decision-making logic with a higher precision.

Conclusions

In the study of literature on born globals and effectuation, we identified a knowledge gap that we do not know what are the patterns of allocation of effectual and causal logics among entrepreneurs and early and later employees in born globals. In prior research, allocation of logics was described as changing from effectual to causal from earlier to later stages and making combinations along the way, however, how and in which combinations the logics changed within the organisational structure was not researched.

To close this knowledge gap, we set an aim to shed light on how effectuation and causation logics are allocated in born global firms at the level of entrepreneurs and early and late employees.

We thoroughly analysed literature on internationalisation and born globals and literature on effectuation theory.

Next, we conducted a literature analysis on the question of combinations of causation and effectuation, which is yet very scarce in the emergent effectuation theory. To operationalise the concept of “effectuation allocation”, we required terminology for possible logic combinations. The named combinations of causation and effectuation were adopted by our research from Smolka et al. (2018). However, the authors themselves mentioned them while summarising the research on planning patterns by Brinckmann, Grichnik and Kapsa (2010); further Smolka et al. (2018) provided examples of causal/effectual combinations which pertained to these three types of combinations, but Smolka et al. (2018) did not link each of their examples to the specific name of the combination, because it was not their purpose in the research. We did this linking ourselves, and used these names of combinations to describe patterns in which causation and effectuation can co-exist.

Next, we conducted an empirical research of the born global firm Pandadoc, which was qualified as instrumental to allow to understand the specificity of our studied question.

We provided the company's case with thick description of details to clarify the context of decisions for the reader so that s/he could accurately understand the nuances of the context of the case firm and we could ensure transferability of findings. We supplied descriptions with analytical commentaries.

We described the company's combinations of effectuation/causation at the earliest, early and later stage of the firm.

We confirmed four hypotheses set forth before the empirical research.

Finally, we provided analytical generalisations on effectuation allocation in born global firms between the entrepreneurs and employees.

Our summarized findings are the following. The studied born global firm Pandadoc applied effectual decision-making logic at the stage with the earliest employees. With the introduction of the first organisational structure at early company's stage, pure effectual decision-making was replaced with combinatory decision-making logic (where combinations differed in different levels in the organisational structure), which largely remained stable in the early and late stage of the company.

The decision-making logic at the top management's level (concurrent combination of causation and effectuation) remained fairly consistent in the transition from early to late stage, which allowed Pandadoc to better to lead creative teams, which require both causal and effectual decision-making in management style. Another logic Pandadoc applies is the recursive combination of causation and effectuation to conduct changes in the organisational structure to respond to the changing external or internal environment. The lower level of product management applied concurrent combination of logics without changes from early to late stage of the company.

What notably changed at the late stage of the company, as opposed to the early stage, was the logic at the lowest level, the engineers' level. The three types of early-stage logics (causal, effectual, planning effectuator), at the engineers' level, were narrowed down to only one, the planning effectuator logic, which, we argue, was made to achieve greater resource efficiency. This research, however, spotted a problem of lack of autonomy for creative people under the planning effectuator logic. Thus, this research suggests for born global firms managing creative teams to use two logic types at the engineers' level: the planning effectuator logic, and effectuation.

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Appendix. Case Study Research Protocol

General questions

1. The name of the company
2. The name and position of the interviewee.
3. The year of company's establishment.
4. The year since which the person worked in the company.
5. Industry.
6. Company's revenue.
7. Share of export in revenue.
8. Number of employees in the company.
9. International markets
10. What are the current products/services provided by the company? Have there been any changes to the products/services since the beginning?

Based on Fisher (2012)

11. What was the pre-founding context? Discuss the context with respect to the entrepreneur, the technology, and the market.
12. From where did the **opportunity** emerge? Describe the opportunity emergence process.
13. How would you describe the early competitive advantage of the venture?
14. From where did the **resources** come for the initial development and exploitation of the opportunity?
15. How did the entrepreneur **finance** the growth of the venture?
16. How did the entrepreneur/team develop and implement a **strategy** to first take the product or service to market?

Based on Fisher (2012)

17. How did the entrepreneur/team initially **market** the new product or service?
18. Did the marketing approach change over time? If so, how?

Based on Matalamäki (2017)

19. How openly is information shared between the different stakeholders?

Based on Fisher (2012)

20. How did you find and **recruit** people to work in the emerging organization?

Based on Kalinic, Sarasvathy, Forza (2014)

21. Please describe the **process of internationalisation** of the company. When and **how did you begin** international operations?
22. How did you **expand your activity** in the foreign market?
23. Was this expansion intentional (planned) or **unintentional** (something that just occurred)?
24. What were the company's **network connections** with the foreign market?