

How IDIS Survived after Internationalization? A Dynamic Capabilities Perspective

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This study examines the factors that affect the post-internationalization survival of an emerging economy international new venture (INV). It analyzes, in-depth, a case study on a Korean security INV named IDIS that designs, develops, and manufactures surveillance solutions for a range of public and commercial sector markets. It clearly shows the way entrepreneurs have actively engaged in international expansions for survival. By applying a dynamic capabilities perspective, we reveal the most crucial capabilities that improved the emerging economy INV's survival prospects after internationalization. These capabilities are founders' entrepreneurial orientations and network development (sensing), niche market development and specialized product focus (seizing), and the capabilities of transformation and renewal (reconfiguration). More importantly, the findings from the IDIS case study indicate that stable leadership and the leadership teams' international experiences drive the development and enhancement of dynamic capabilities.

Key Words: Dynamic capabilities, Post-internationalization survival, International new venture, IDIS, Korea

1. Introduction

This study examines the following research question: *how an emerging economy international new venture (INV), named IDIS, survived after international expansion?* The emergence of INVs, that do business globally, has been regarded as an important issue of interest in international business literature (McDougall, Shane, and Oviatt, 1994; Mudambi and Zahra, 2007; Oviatt and McDougall, 1994; Sui and

Baum, 2014).

Nonetheless, the effects of the early international expansions of emerging economy INVs on their survival and growth, and the strategic implications for firms have not been fully examined (Sapienza, Autio, George, and Zahra, 2006). In addition, most of the research exploring the issues of international expansions deal with how and why INVs expand their business into foreign markets from their inception, largely concentrating on the period during inception (Autio, George, and Alexy,

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2011; Autio, Sapienza, and Almeida, 2000; Deng and Sinkovics, 2017; Khan and Lew, 2018; Mudambi and Zahra, 2007). Even if successful INVs considered a crucial role in the global economy, limited study has been done to evaluate their evolution for a longer time period (Cavusgil and Knight, 2015). Thus, conducting research on their post-entry trajectory after internationalization is crucial. INVs coming from emerging economies have not been fully examined in the scholarship on international business (Schwens, Zapkau, Bierwerth, Isidor, Knight, and Kabst, 2018). Indeed, Sui and Baum (2014) noted that our understanding of the survival after internationalization by emerging economy INVs, remains in its infancy and they highlight the need to investigate this issue.

Although few researches on INVs have explored their survival and growth after their initial internationalization success, these studies have mainly focused on INVs in mature economies (e.g., Mudambi and Zahra, 2007; Sui and Baum, 2014). Exploring the post-internationalization survival of INVs in emerging economies is crucial as initiating firms are more prone to face liabilities of smallness, newness, foreignness, and social connectedness (Deng and Sinkovics, 2017; Lee, Kelley, Lee, and Lee, 2012). The case of emerging economies, like South Korea,¹⁾ is

particularly crucial due to the need for capability enhancement brought about by harmful external conditions. South Korea has been negatively influenced by the shortage of policies focusing on INV development and domestic finance, underdeveloped entrepreneurial ecosystem, high political instability, and frequent changes in government. Studies on emerging economy INVs may benefit new international startups, because it is crucial to comprehend how these firms deal with prominent domestic resource constraints; the comprehension of their post-entry trajectories is thus important. *Why some emerging economy INVs fail, while others survive?* It may appear that much is unknown regarding the things influencing the INV post-internationalization survival, because it remains an inconclusive topic (Khan and Lew, 2018; Lee et al., 2012; Schwens et al., 2018).

Sapienza et al. (2006, p. 914) maintained that “successfully growing INVs have experienced organizational shocks in their international expansions”. The INV survival because of those shocks may be contingent on whether firms could enhance new streams of capabilities and improve their extant ones to defeat the difficulties related to internationalization (Autio et al., 2000, 2011; Khan and Lew, 2018; Sui and Baum, 2014). Therefore, the survival of INVs is more likely to demand

1) “Given the rapid development of the Korean economy in recent years, it is difficult to argue that this classification is still warranted. However, Korea might have fit the dynamic emerging market profile during the time window of our study because, in the past, Korea was home to financial markets with few investor protections, few standardized processes, under-developed capital markets, and although it provided the potential for profit, it also had many risks such as patent infringement” (Cho and Lee, 2018, p. 261).

higher order capabilities, such as dynamic capabilities that might somewhat differ from functional or ordinary capabilities required for daily business operations in domestic markets (Teece, 2014). Teece (2007, p. 1341) conceptualized “dynamic capabilities as being associated with sensing, seizing, and reconfiguring: Enterprises will need sensing, seizing, and transformational/reconfiguring capabilities to be simultaneously developed and applied for it to build and maintain competitive advantages”.

Based on the Teece’s (2007) dynamic capabilities perspective, this study aims to examine the key capabilities that are crucial for the post-internationalization survival of an emerging economy INV. To do so, this study brings the perspective of dynamic capabilities into the comprehension of the survival of an emerging-economy INV, because this issue has been overlooked until now. We have developed a case study on a Korean security INV named IDIS that designs, develops, and manufactures surveillance solutions for a wide range of public and commercial sector markets. IDIS is suitable for this case study because this firm, which was founded at 1997, survived the financial crisis and dotcom bubble, and is continuously expanding their business into foreign markets. In addition, IDIS internationalized within 3 years of their inception, with foreign sales intensity of 25 percent (Knight and Cavusgil, 2004; Sui and Baum, 2014). Thus, IDIS clearly proved suitable to explore the main factors influencing the INV’s continued survival in foreign markets.

II. Theoretical Background

2.1 Internationalization Process of INVs

INVs expand into international markets at a rapid speed by using their learning capabilities and key resources (Autio et al., 2000; Cavusgil and Knight, 2015; Sapienza et al., 2006). Previous internationalization process theories account for the firms’ risk averse incremental internationalization as being because of psychic distances that exist between home nations and international markets (Johanson and Vahlne, 2009). Internationalizing firms learn about foreign markets experientially (Johanson and Vahlne, 1977). Nonetheless, the research on multinationals in emerging markets explains how those firms have aggressively made investments in enhancing capabilities in their internationalization processes based on country-specific advantages and home-based learning (Luo and Tung, 2007). In addition, the internationalization process theory that was recently revised, highlights the liabilities of outsidership, consequently “emphasizing the significance of enhancing business networks to learn about international markets” (Johanson and Vahlne, 2009, p. 1411). INVs are necessary to develop and enhance capabilities for their survival and growth in international markets in that they must handle their liabilities of foreignness, smallness, and newness (Oviatt and McDougall, 1994; Sui and Baum, 2014).

2.2 Dynamic Capabilities Perspective and the Survival of INVs

The resource-based view indicates that “organizational capabilities and resources to use them play an important role in its survival” (Sapienza et al., 2006, p. 914). The availability of valuable, rare, inimitable, and non-substitutable (VRIN) resources is important for INVs to maintain their competitiveness in international markets (Barney, 2001). Nonetheless, this perspective “is static and has limitations in accounting for dynamic development processes of such resources via organizational capabilities” (Teece, 2007, p. 1319). The scholarship on strategic entrepreneurship proposes that the firm’s heterogeneity is central to comprehending the post-entry behavior of INV and its impact on their survival (Sui and Baum, 2014). This highlights the significance of recognizing “value-creating processes adopted by INVs to defeat the liabilities of foreignness, smallness, and newness in the progression of international expansions and the post-entry survival” (Khan and Lew, 2018, p. 149).

Given the fact that INVs generally face resource constraints, the important problems of emerging economy INV’s survival in the foreign markets may include ensuring the necessary resources, and diversifying and enhancing their capabilities (Autio et al., 2000; Cavusgil and Knight, 2015; McDougall et al., 1994; Sapienza et al., 2006; Sui and Baum, 2014). Capabilities and resources required

for long-term competitiveness can differ from the ordinary capabilities needed to manage repetitive functional works related to domestic markets.

Resources may not be adequate themselves for growth; it has been presented that capabilities of deploying any resource are needed for the firm’s survival (Khan and Lew, 2018; Lee et al., 2012). Recently, studies on dynamic capabilities have increased (Danneels, 2011; Teece, 2014). Dynamic capabilities are shown by the strategic and organizational routines which corporate managers use to change their “firm’s resource base via the acquisition, shedding, integration, and recombination of resources for new value creation” (Eisenhardt and Martin, 2000, p. 1105). Such capabilities are involved in the corporate processes and therefore it is necessary to develop dynamic capabilities to grow and survive (Teece, 2007). Dynamic capabilities have thus become the underlying source of competitive advantage. Capabilities are the configuration of resources and routines, which make organizations obtain their objectives. Dynamic capabilities particularly emphasize the firm’s ability to reconfigure itself to its circumstances (Danneels, 2011). As firms extend the scope of their business beyond the national borders, it is necessary to adjust the configuration of resources to support international activities and foreign markets (Teece, 2014).

Because the former indicates the high level of corporate competencies that affect its “abilities to react to changes in its circum-

stances by building, integrating, and reconfiguring both its inside and outside resources and competences” (Danneels, 2011, p. 1), this study argues that dynamic capabilities are more crucial than ordinary capabilities. Previous research has argued that the organizational-level capabilities affect its financial performance, competitive advantages, innovation outcomes, and learning (Danneels, 2011; Teece, Pisano, and Shuen, 1997).

Particularly, Teece (2007, p. 1319) has “conceptually structuralized such corporate competency processes as sensing, seizing, and reconfiguring capabilities in rapidly changing industries”. It is fruitful to use such views in the examination of the survival of technological INVs in turbulent circumstances. First, the sensing capability helps INVs identify opportunities and threats presented in international markets, which account for the entrepreneurial firm’s risk avoidance or risk-taking actions and its learning ones. Second, the seizing capability accounts for the process of creating innovation by seizing opportunities, which is “improved by the enhancement of capability and resource allocation mechanisms within organizational boundaries” (Teece, 2007, p. 1326). Lastly, the reconfiguring capability is associated with capturing organizational values, “expressed by re-alignment of resources, the reconfiguring of the organizational architecture, and their meshing, followed by seizing opportunities” (Teece, 2007, p. 1334). The corporate capabilities to reconfigure resources into com-

petencies includes exploratory learning. Firms should interact and coordinate various activities that are all targeted at specific goals such as adaption to changing circumstances (Teece, 2014; Teece et al., 1997; Wang and Ahmed, 2007; Winter, 2003). Therefore, the dimension of reconfiguring may help in accounting for the survival of INVs. INVs are generally necessary to develop and enhance dynamic capabilities to have higher survival prospects even after their initial success in international markets.

When INVs internationalize, they should “develop and enhance necessary capabilities and adapt them to their operations because dissimilar host country markets represent dissimilar institutional settings” (Khan and Lew, 2018, p. 151). In addition, INVs are more likely to need considerable investment in the dynamic capabilities’ development because of the liabilities of foreignness and newness. Time and investment are also needed in developing such capabilities that influence the survival of INVs (Autio et al., 2000). Some have argued that international expansions may decrease over later market entries, because firms are more likely to learn and develop their knowledge from previous experiences (Sapienza et al., 2006). Therefore, by developing experiential learning, firms gradually expand into foreign markets and lower the risk related to their liabilities of foreignness (Johanson and Vahlne, 1977). Nonetheless, owing to the higher costs related to the development of capabilities; for instance, organizational rou-

tines in international markets, the rapid international expansion mode of INV is more likely to cause considerable risks (Sui and Baum, 2014). These two countervailing perspectives of internationalization lead us to explore the concerns associated with the post-internationalization survival of INVs. This study draws on Teece's (2007) concept of dynamic capability explanation of how INVs develop the needed capabilities to survive in dynamic international market circumstances.

III. Method

The current study's context is the Korean video surveillance industry, which is rapidly growing in the global market. "The Korean video surveillance industry has been developing over the years and is now firmly on the road to growth" (Ahn, Kim, and Kim, 2016, p. 1). The industry has experienced three major crises, including the 1997 Asian financial crisis, the dotcom bubble burst, and the 2008 global financial crisis. More specifically, the financial crisis affected both the Korean and global video surveillance industry and it continues to influence the growth prospects and demand in video surveillance and other IT-related services around the world. Therefore, rather than geographical expansions, the industry's concentration may provide a way to consolidate its position in existing markets. Korea has also repeatedly experienced domestic

turmoil. Particularly, before the financial crisis, there was significant optimism regarding Korean economic prosperity. In addition, Korea has witnessed significant geopolitical tensions with its neighbors, such as Taiwan, Japan, and China, which place the foreign revenues of Korean video surveillance firms under stress. Moreover, for new startups, the Korean surveillance industry has a shortage of good venture capitalist and entrepreneurial ecosystems. Thus, the Korean context offers a great example for understanding the INV post-internationalization survival, especially for firms coming from such adverse circumstances. We look at how IDIS has developed and enhanced their capabilities despite their difficult domestic circumstances, and has reformed their main capabilities during and after the crises. We note that the time is right to explore the features that influence INV's post-internationalization survival in the emerging economy of South Korea.

3.1 Case Selection and Data Collection

A case study is widely considered suitable for "exploring complicated issues that are not yet fully grounded in theories and about which there is still limited comprehension and evidence" (Yin, 2017, p. 1). In addition, this approach "gives a certain meaning to the phenomenon of research as it offers fruitful insights regarding the context in which the case is embedded" (Yin, 1981, p. 58). We adopted a single case study because this approach of-

fers in-depth, detailed, and rich evidence useful for researching complex processes and new sectors where quantification might be premature (Danneels, 2011; Lee, Kim, and Kim, 2015; Yin, 2017).

A Korean security INV, named IDIS, was chosen because it offers an interesting instance of the phenomenon under research. IDIS designs, develops, and manufactures surveillance solutions for a wide range of public and commercial sector markets. The case clearly represents the way entrepreneurs are involved in internationalization for survival - international expansions that have the potential to become competitive - and problems that they faced in doing so. IDIS is also suitable for this study because the firm, which was founded in 1997, survived the financial crises and dotcom bubble, and is continuously expanding its business into foreign markets. In addition, IDIS, internationalized within 3 years of its inception and had, at least, foreign sales intensity of 25 percent (Knight

and Cavusgil, 2004; Sui and Baum, 2014). Thus, IDIS clearly provide a suitable case that we can explore the main factors influencing the continued survival of INV in foreign markets. We briefly summarized information and features of IDIS in Table 1.

As recommended by Yin (2013), qualitative evidence has been acquired via both secondary and primary sources. Secondary sources have been obtained from archival research involving firm records/websites, trade and industry publications, press databases, and case study databases. The history of IDIS has been written based on informed interviews with the CEO, top managers, and co-founders. Those interviewed explained the IDIS vision and their own perceptions of internationalization. We interviewed people who performed key duties in the internationalization process and were thus successful their survival strategies. Interviews were performed with a variety of knowledgeable stakeholders, who offered multiple perspectives. The material of interviews

〈Table 1〉 Case Dimensions

Case	IDIS Co., Ltd.
Industry	Video surveillance
Key products	Surveillance technology and software, DVRs
Founded	1997
First foreign market entry	1999
Major international markets	USA, Europe, Middle East
Headquarter	Yuseong-gu, Daejeon, South Korea
Founders	Y. D. Kim, Albert Ryu, J. H. Jeong
Interviews	3
Informants	Founder, CEO, top managers

offered a subjective account of developments that was compared to the initial objective case history that we obtained from other non-interview and documentary sources. Then, the case history was confirmed by interviewees.

We used an interview guide that included the associated factors influencing IDIS' continued survival. For example, how they overcame the financial crisis and dotcom bubble, reasons behind the post-internationalization survival, service and product offerings in international markets, the top management's and founders' roles during pre- and post-expansion phase, home market support for capability enhancement and international expansions, their motives to internationalize, internationalization process, and their future plans for growth and internationalization. Nonetheless, we kept focusing on the factors behind the survival of IDIS, because this was the main issue under examination. We conducted all the interviews in both Korean and English because the key interviewees felt comfortable with this approach. Each interview was conducted for 20 minutes on average. To reduce respondent bias (Yin, 2017), we further collected and double-checked secondary source data regarding the success of IDIS in foreign markets from the IDIS websites, DART database, and leading Korean daily newspapers.

3.2 Analysis of Evidence

We started the data analysis by transcribing cases of IDIS foreign entries. We conducted

cross-case and within data analysis approaches as recommended by Yin (2013). The within-case approach was performed to focus on the emergent issues associated with the factors influencing the post-internationalization survival of IDIS. The within-case approach along with the cross-case analysis helps in identifying similar emergent issues and links associated with factors influencing the survival of IDIS.

Moreover, we used "data reduction techniques to yield conclusions and make verifications within and across cases" (Yin, 2017, p. 58). We also employed computer-assisted qualitative data analysis software Nvivo 10 in order to make the data analysis more efficient and effective. Nvivo was efficient in dividing, sorting, and recording the data into dissimilar topics based on the keywords, which then made it possible to capture key features for subsequent data analysis (Sinkovics, Penz, and Ghauri, 2008). We also "employed selective, axial, and open coding techniques for the analysis" (Strauss and Corbin, 1998, p. 2). As patterns started to arise from the data, we integrated the codes into the groups that formed categories. Once the category was formed via pattern analysis (for example capability), it was further categorized by breaking it down into subgroups (for example management or technological capabilities). After many rounds of cross-case comparisons and iterations, we could narrow the focus down to the key capabilities. By using this analysis, we could concentrate on the key capabilities influ-

encing IDIS' survival after internationalization.

IV. Case Discussion and Findings

4.1 The Leadership Team's Stability and International Experience as the Determinant of Dynamic Capabilities and INV Survival

Our study reveals that the stable leadership of entrepreneurs and the top management team (TMT)'s international experiences are considered as the crucial role in the firm's survival after internationalization. The leadership team was key in developing the dynamic capabilities required for long-term survival. The IDIS CEO and co-founders noted that "they have had the same leadership teams since the foundation of the firm". According to the entrepreneurs, a stable leadership spreads positive signals to personnel, customers, and business partners. Entrepreneurs played the crucial role in the post-internationalization survival. It is also notable that the stable leadership significantly influenced the digital video recording (DVR)-related product and service positioning decisions. Hence, due to the reputation and experience that the entrepreneurs have already built with their customers, stable leadership has been regarded as an important factor that may have driven the survival process. The findings show that renewal capabilities and knowledge creation

were stronger in IDIS because it had stable leadership. Indeed, IDIS CEO and co-founder, suggested:

"We may have not achieved this much growth without keeping our key leaders' roles intact and this spread a positive signal to our employees and other network partners. Our TMT's experience has been helpful for us and if we had changed our top leaders, it might have been difficult to grow further. We have strived to retain stability in our leadership positions and have not tinkered with it, which has caused our customers to think that they are managing with a well-developed company. We also believe that stability of leadership is the most important factor that helped us survive the global financial crisis."

This clearly represents how stable leadership is crucial for the INV post-internationalization survival. This might also "offer insights into the Korean context, as the nation experienced frequent changes of government and political instability in the past, which had influenced its economic growth" (Ahn et al., 2016, p. 1). Therefore, this emphasizes the important effects initiated by the entrepreneurs on survival after internationalization.

4.2 Sensing Capability

We reveal that the entrepreneurial initiatives were crucial for the survival of IDIS in international markets. The entrepreneurs/founders said that "even if concentrating on a specific service or product was risky, they were more likely to take the risk than chase after fleeting opportunities". The founders of IDIS said

that “the management realized early on that to defeat their counterparts and to survive in international markets, it was necessary to examine high-risk and high-reward product domains, such as DVR technologies”. Toward this objective, the IDIS entrepreneurs concentrated on identifying the main areas where their customers needed help and where they could provide their expertise on DVR products. The findings imply that founders’ experience and expertise were useful in “positioning and concentrating on specialized products, as compared to those of their counterparts” (Ahn et al., 2016, p. 2).

The IDIS founders said that potential DVR service and product offerings were proposed to international clients at international security exhibitions in the United Kingdom, the Middle East, and America to secure that their company would have the operational capabilities and resources required for serving all their clients’ needs. It is also notable that the stable leadership had the most important influence on the service and product positioning decisions. The stable leadership thus drives the processes of capability building owing to the reputation and experiences that the founders have already built with their customers. “The decision to concentrate on the DVR-related product differentiation portfolio mainly reflects the entrepreneurial orientations of founding members and their experience within technological domains” (Ahn et al., 2016, p. 1). It also shows the renewing capabilities of sensing and shaping the opportunities available

in foreign markets. IDIS entrepreneurs possess a history of scanning the market environment and spotting their clients’ needs. Y. D. Kim, IDIS CEO and co-founder, suggested:

“We strived to explore new opportunities and concentrate on the needs of our clients and on the general trends in the video surveillance industry in various foreign markets.”

The other respondents also implied that IDIS’ network of relationships had been regarded as crucial for the initial international expansion, but also had been far more crucial for their post-internationalization survival. IDIS heavily invested in and maintained the network of relationships as an important aspect of their continued survival, because “they had improved key products and distribution channels and gained knowledge via their networks” (Ahn et al., 2016 p. 1). The IDIS entrepreneurs implied that client relationships in foreign markets were the key areas on which they had concentrated their energies. The following quote from the top manager who was involved in internationalization clearly presents the significance of relationships for the survival and growth of the firm.

“We had been okay with so-so relationships during the first stage of internationalization. However, to grow, we realized that we needed to sustain and maintain partnerships with our foreign clients because it brings repeated business and acts as knowledge sources. It is crucial for the survival and growth stages. We can also get more business and key know-how from clients to enhance our new DVR technologies.”

Therefore, it seems that making an investment in and sustaining the relationships with network partners and clients was important for the firm's survival after internationalization. This enabled IDIS to bring in repeated business, as well as bring in new and potential clients. IDIS further obtained complementary capabilities, for example distribution and marketing, via these network alliances. Indeed, Y. D. Kim, IDIS CEO and co-founder suggested that "IDIS' ability to establish strong network relationship has been regarded as crucial for sensing and shaping new opportunities that might eventually affect their survival in foreign markets". This again highlights the significance of maintaining and enhancing a network of relationships for an INV's post-internationalization survival.

4.3 Seizing Capability

To survive, IDIS was incrementally specializing as they expanded into foreign markets. "They developed and enhanced their DVR-related proprietary and specific knowledge along with concentrating on developing niche product portfolio differentiation capabilities" (Ahn et al., 2016, p. 1). This enabled them to have better survival prospects after internationalization. Our respondents mentioned that "they put more emphasis and efforts in the development and enhancement of their proprietary, domain knowledge and products after the successful international expansions". The IDIS founders/entrepreneurs

said that as their clients value their DVR-related knowledge and technologies, the growth of their companies heavily relied on having the domain-specific and proprietary knowledge. IDIS entrepreneurs also suggested that the experience of the founders was useful in the development and enhancement of specific DVR-related knowledge. Therefore, once they positioned themselves in various international markets, they became aware of the significance of retaining domain and specific proprietary knowledge. Y. D. Kim, IDIS CEO and co-founder, emphasized the significance of enhancing proprietary knowledge to survive in foreign markets. He also indicated:

"It might be hard for us to maintain this continued growth if we decided to pay attention on the specialist domains during the first international expansion process. It is important for a venture like ours, which is striving to build its business in the foreign countries not to concentrate too much in a special domain sector by decreasing the work that enables you to survive in the uncertain international marketplace. Experimentation with some domain sectors is useful before deciding on your particular sectors of interest and specialization..."

Specialization, focus and niche markets were the most crucial for them. With successful international expansions, IDIS moved towards focus and specialization. According to the entrepreneurs and top managers, focus and specialization enabled them to have an edge over their counterparts as the video surveillance industry became more competitive. The interviewees noted that "IDIS largely

concentrated upon whatever business was coming their way and had benefited from this during the initial stages of international expansion". However, after the global financial crisis, they realized that to survive in foreign markets, they had to particularly concentrate on specialized product and service categories, such as niche DVR-related product portfolio differentiation categories. IDIS focused on niche segments and had better specialization of DVR-related services and products. During the initial internationalization process, IDIS did not emphasize having well-defined focus areas and specialization. Nonetheless, to continuously survive in international markets, an INV like IDIS needs strategies, niche product portfolio differentiation, focus, and specialization for long-term growth and survival.

Once IDIS established their foothold in the foreign markets, they shifted their focus to the refinement of their DVR-related services and products to grow further. Interviewees also highlighted the crucial role played by the entrepreneurs in foreign markets. Therefore, serving niche markets, focus, and specialization enabled IDIS to survive once they had expanded into foreign markets. Differentiation also may offer a reason for their survival. Indeed, Y. D. Kim, IDIS CEO and co-founder, noted:

"We strived to develop and enhance the specialization in a particular DVR-related product domain. With international expansions and to be successful in international markets, an INV like us needs to continuously develop and enhance some form of specialization."

This further points out the significance of developing and enhancing specializations to seize opportunities in foreign markets to survive.

4.4 Reconfiguration Capability

IDIS had succeeded in developing novel product portfolios by concentrating on their customers' needs via the exploitation of renewal capabilities, such as knowledge creation and new DVR-related product development. They were also involved in "sensing and seizing of opportunities by proactively engaging with their clients, as well as regenerative capabilities, such as leveraging and reconfiguring their current resource base and product domains" (Ahn et al., 2016, p. 1). IDIS brought all the programming in-house but had outsourcing contracts with other leading companies in various industries as a strategic tool to support their product niche strategy. IDIS also encouraged diversity in their work force and incentivized their employees with stock options and bonuses. IDIS proactively supported employee-initiated innovation in their DVR-related products and services, and that this was helpful in building their domain niches. For instance, Y. D. Kim said:

"We encourage employees to come up with novel and innovative ideas targeted at enhancing our products and services portfolio. We also encourage diversity and try to improve bonding and communication between the top management and our employees..."

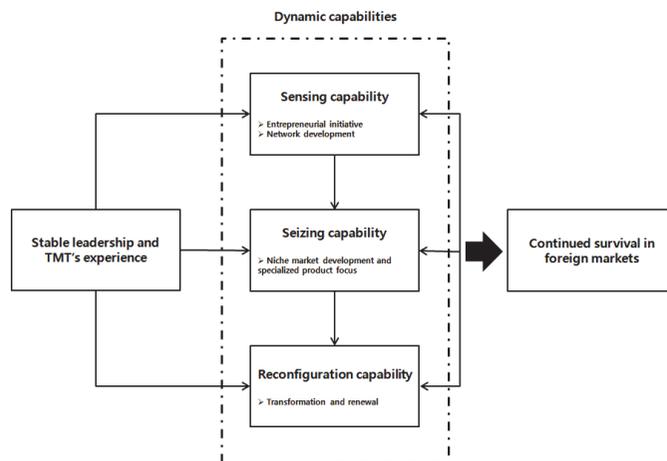
IDIS strives to continue bringing innovation to their work practices, products, and services. The founding members/entrepreneurs “take on the role of boundary spanners and constantly engage with their clients and their business partners that want DVR technologies to see whether potential clients can be acquired via word of mouth” (Ahn et al., 2016 p. 2).

After the 1997 Asian financial crisis, 2001 Internet Bubble, and 2008 global financial crisis, the demand for DVR had declined. Nonetheless, due to their capabilities of sensing and seizing, IDIS recognized that they had to develop and enhance their operational capabilities in order to survive in the video surveillance industry. For instance, Y. D. Kim stated:

“We spent much time and effort, particularly after the two financial crises, to retain those employees who were coming up with new and innovative ideas related to DVR technologies and were good at DVR

system integration. Moreover, we restructured our internal corporate process for creating new product development ideas to offer better DVR solutions to our customers. These enabled us to ensure long-term contracts with our existing clients and business partners, as well as in acquiring potential clients via word of mouth.”

To assist their consultants learning from previous projects and applying best practices to extant and future ones, IDIS further invested in developing a project repository knowledge management system. These changes were crucial in recognizing clients’ needs early on and were acted upon to provide better solutions. Y. D. Kim noted that “reconfiguration and timely transformational products and internal processes are important to have better survival prospects in global markets as well as highlighted the significance of transformation and renewal capabilities for enhancing the survival ratio in international markets”, implying the significance of reconfiguring, trans-



〈Figure 1〉 Findings from IDIS Cases

forming, and timely renewing capabilities to have better survival prospects in international markets.

In summary, the findings from the IDIS case represent that not only dynamic capabilities but also the role played by the stable leadership and TMT's international experience are important in enhancing the process of capability development and securing the continued survival of an emerging economy INV in foreign markets. We briefly summarize and illustrate these findings from the IDIS case in below.

V. Discussion and Conclusion

5.1 Contributions and Implications

The present study sets out to fill the gap in international business scholarship by studying how an emerging economy INV survives in foreign markets. Drawing on the perspective of dynamic capabilities, this study examines the actions of the Korean INV, named IDIS. The dynamic capability perspective enables us to better comprehend how and why the INV from an emerging economy survives in foreign markets, the issue that is under examination. We understand the crucial role played by the actions of top leadership in shaping firm-level capabilities.

Rather than concentrating on motivations and general internationalization processes of

INVs or the features and roles of entrepreneurs in the rapid international expansion of INVs that prior research has focused on, this study concentrates on the issue of the emerging economy INV's survival after entry in a foreign market. This study covers an INV coming from the Korean video surveillance industry where there is limited domestic market base for the demand and development of video surveillance recordings. "The geopolitical tensions that exist between Korea and its neighbors place additional stress on their revenue generation" (Lee et al., 2015, p. 152). In addition, the local circumstances are unfavorable to the development of capabilities. Other local INVs are often bankrupt, face shortage of financial support, and conduct their business under highly uncertain environments. The survival in foreign markets of IDIS, highlights the "role played by the development and enhancement of capabilities by a firm coming from hostile circumstances" (Lee et al., 2015, p. 151). In order to defeat such weak home institutional settings, IDIS entrepreneurs have committed to international expansions in order to survive. This implies institutional implications for the INVs' long-term survival. The findings shed further light on how an INV coming from an unstable home environment probably learns how to survive and applies the capabilities learnt by specializing services and/or products to the international markets.

The findings imply that the entrepreneurial initiatives were crucial for the survival of the

INV. For instance, entrepreneurs were more likely to have risks by concentrating on high-end product domains. In addition, the past experiences of entrepreneurs were important factors “in concentrating on specific product domains and their initiatives were the core reason for their post-internationalization survival by defeating the liabilities of foreignness and smallness” (Khan and Lew, 2018, p. 149).

This study finds that the stable leadership and the leadership teams’ experience in international markets have been regarded as playing a crucial role in the survival of IDIS after internationalization. IDIS has had the same leadership teams with international experience that have been in place since the firm’s foundation. In accordance with these entrepreneurs, the stable leadership and TMT’s international experience sends positive signals to business partners, clients, and personnel. In addition, the findings from the IDIS case highlights the significance of the stability of the leadership teams and their experience in foreign markets. It also highlights its decisions, and actions for the development and enhancement of various capabilities that result in the long-term survival of the firm (Teece, 2012). Thus, IDIS is likely to have better survival prospects in foreign markets.

The IDIS case also highlights the fact that developing and sustaining a network of relationships is a crucial capability that is responsible for post-internationalization survival. While it is crucial for initial success in the international expansions, it is far more im-

portant for the firm’s survival in foreign markets (McDougall et al., 1994). Several researchers have highlighted the significance of networking and have noted that relationships are crucial for international expansions. The capability to sustain and enhance relationships is crucial for the essential dynamic capabilities in order to survive (Teece, 2007, 2014; Teece et al., 1997).

Because emerging economy INVs particularly encounter the liabilities of foreignness, newness, and smallness as well as limited domestic resources, it becomes “more important for them to depend on their network of relationships” (Lee et al., 2012, p. 1). This could offer benefits, including improved survival prospects and competitiveness (Lee et al., 2012). Therefore, the INV’s capability to network and to use and improve their own resources is crucial (Sui and Baum, 2014). The Korean domestic resource base is weak and local firms have limited chance to benefit from local networks and thus international networks may thus help IDIS increase survival prospects in foreign markets. Networking could be an important dynamic capability, even for Korean INVs. The enhancement of networking capabilities can help sense opportunities in international markets and eventually yield positive effects for the INV by helping with post-internationalization survival.

Developing product specialization and putting greater efforts in niche markets are the crucial capabilities accounting for the INV post-internationalization survival. After in-

ternational expansions, “IDIS shifted towards offering specialized services and products geared to the needs of particular niche markets” (Ahn et al., 2016, p. 1). This helped them to grow beyond their successful international expansions. The founders’ past experiences were crucial in shifting towards a strong specialization. This supports the perspective that the individual entrepreneur has been regarded as playing a crucial role in the development and enhancement of dynamic capabilities (Teece, 2007, 2014). The enhancement of niche markets, focus, and specialization are the crucial capabilities that account for the INV’s survival after internationalization (Sapienza et al., 2006; Sui and Baum, 2014). Therefore, the specialization capabilities’ development and enhancement may positively affect the post-internationalization survival of INVs.

Moreover, the findings imply that IDIS continuously brings enhancements to DVR-related products and services and their entrepreneurs are on boundary spanning roles to find new customers via word of mouth advertising for example consequences of renewal and transformation. IDIS made investments in launching “the newest knowledge repository management systems in order to save completed projects and enable their consultants to learn from them and adapt best practices to future projects” (Ahn et al., 2016, p. 2). These changes of processes were crucial for them to sense the potential customers’ needs early on and act upon them to provide better

solutions. “The transformative dynamic capabilities in this case are embedded in the corporate specialized processes” (Teece, 2007, p. 1319). IDIS has renewed their past knowledge and emphasized specialization, actively involving their customers and thus reconfiguring their recent DVR-related product domain and resource base. Thus, despite highly uncertain domestic circumstances, IDIS owns reconfiguration capabilities that will help the firm to survive difficult times.

5.2 Managerial Implications

The findings from the IDIS case will help INV managers identify important dynamic capabilities required for survival in foreign markets. The present case study also offers detailed explanation of the significance of the ongoing development, enhancement, and maintenance of capabilities for the survival of INVs. It also highlights the significance of capability development and enhancement for their long-term growth. The findings imply that the development and enhancement of capabilities “are not just one-off activities but that INV managers will benefit from concentrating on a niche product portfolio, differentiation, and networking capabilities in order to survive in foreign markets” (Khan and Lew, 2018, p. 149).

“The stability of the leadership team and past international experience of leadership teams were also crucial in that they positively affect the development and enhancement of

dynamic capabilities and eventually the survival prospects” (Teece et al., 2014, p. 8) of the INV during and after difficult times, such as the global financial crisis. Normally during or after crisis situations, firms change their top leadership teams. Nonetheless, the findings from IDIS offer valuable insights that sustaining the TMT might be in the long-term interest of the firm.

To sum up, the findings from the IDIS case study emphasizes the role initiated by the entrepreneurs in orchestrating capabilities required during the INV’s survival stage and the role played by dynamic capabilities in ensuring the survival of the INV after internationalization.

5.3 Limitations and Future Research Directions

This study has several limitations that warrant future research. First, we explored a single successful INV from the Korean video surveillance industry and thus it may be hard to have a generalization. Future scholars should conduct the multi-case, cross-country and industry comparative analysis to capture additional capabilities and factors that may affect the INV post-internationalization survival. Second, we rely heavily on qualitative data. Therefore, the data may have the shortage of objective measures. Future researchers might benefit from developing quantitative approaches based on identified capabilities that link to the INVs’ survival prospects. Lastly, it might be interesting to involve a sample of failed INVs from different industrial settings that

have not succeeded in developing and enhancing such capabilities and compare it with that of surviving INVs.

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아이디스는 국제화 이후 어떻게 생존하였는가? 동적역량 관점을 중심으로

조재영* · 이장우**

요 약

본 연구는 우리나라 대표 국제신생벤처기업(International New Venture: INV)인 아이디스를 대상으로 국제화 이후 지속적인 생존을 결정하는 요인을 조사하였다. 아이디스는 감시 및 범죄 예방 목적으로 설치된 보안용 영상감시 시스템에서 녹화되는 영상을 저장하는 Digital Video Recording(DVR) 전문 회사로 세계시장에서 인정받고 있는 국제신생벤처기업이다. 본 사례는 아이디스가 해외시장에 성공적으로 진출하여 성장하는 과정을 동적역량 관점을 중심으로 살펴봄으로써, 어떻게 생존해왔는지를 설명하고 이에 대한 시사점을 도출하고자 한다. 분석결과, 기업가 지향성과 네트워크 강화(감지 역량), 전문화된 제품 개발과 틈새 시장 발견(포착 역량)과 변혁과 재생 능력(재구성 역량)들이 국제신생벤처기업의 국제화 이후 지속적인 생존에 중요한 영향을 미친다는 것을 발견하였다. 더 나아가, 아이디스 사례분석을 통하여 이러한 동적역량을 발전시키고 강화시키는데 있어서 최고경영자 팀의 국제화 경험과 안정적인 리더십이 중요한 역할을 한다는 것을 발견하였다.

주제어: 동적역량, 생존, 국제신생벤처, 아이디스, 대한민국

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