

# **THE DYNAMICS OF EXPERIENTIAL LEARNING: MICROPROCESSES AND ADAPTATION IN A PROFESSIONAL SERVICE INV**

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## **ABSTRACT**

In international new ventures (INVs), experiential learning happens in quick succession and across a wide number of diverse contexts. Yet, we lack an empirical understanding of the microprocesses through which INVs learn and adapt in their foreign expansion. Understanding those microprocesses is important because timely adaptation can save the venture time and resources, thus promoting sustainable growth. In this study, we investigate the dynamics of experiential learning and adaptation in the internationalisation process of an INV in the professional service sector. Findings from our study illustrate that the firm applies deliberate experiential learning by developing, revising, and finalising criteria for important dimensions in the international growth process, and adapts its internationalisation practices accordingly. We further show that deliberate experiential learning is predicated on an actively and closely monitored learning process, involving critical evaluation, adjustment of criteria, and acceptance of affordable mistakes, as opposed to learning by default.

Keywords: International new venture; Experiential learning; Internationalization process;  
Professional service firm; Human capital; Dynamic capabilities

## **1. Introduction**

International new ventures (INVs) enter foreign markets early and increase their international expansion rapidly (McDougall, Oviatt, & Shrader, 2003; Oviatt & McDougall, 1994). For INVs, the internationalisation process precipitates experiential learning in quick succession and across a wide number of diverse contexts. This offers an opportunity to implement learning from new streams of experience (Reuber & Fischer, 1997), which is vital to the INV's further sustainable international growth (Jones & Casulli, 2014; Prashantam & Young, 2011; Sapienza, Autio, George, & Zahra, 2006).

As well as an opportunity, rapid internationalisation presents a challenge to the firm's ability to learn and adapt quickly. Internationalisation is often a nonlinear process (Bell, McNaughton, & Young, 2001; Jones, 1999; Vissak & Francioni, 2013), and may include aborted efforts, multiple attempts to enter a market, and unplanned endeavours (Crick & Spence, 2005; Welch & Welch, 2009). The literature does not yet fully appreciate that a firm may make a number of false starts before establishing sustainable internationalisation practices. Despite the initial interest in this topic, resulting in promising conceptual work, the dynamics of experiential learning during the INV's internationalisation are not well understood empirically and warrant further research (e.g., Casillas et al., 2009; Jones & Casulli, 2014; De Clercq, Sapienza, Yavuz, & Zhou, 2012; Prashantam & Young, 2011; Sleuwaegen & Onkelinx, 2014). Understanding those dynamics is important because setbacks are costly for the firm in terms of time spent, resources allocated, and the opportunity costs of pursuing other markets. Hence, a lack of appreciation of those dynamics may result in a poor understanding of the complexity of internationalisation, resulting in faulty academic and managerial implications.

In this study, we theorise on the dynamics of experiential learning and adaptation in the INV's internationalisation process through an in-depth exploratory study. We note that the nature of experiential learning from the ongoing internationalisation process and the subsequent adaptation of firm practices are inextricably linked to the empirical context under investigation. What is learnt and adapted, by whom, and for what purpose is likely to vary across different contexts (Welter, 2011; Zahra, 2007; Zahra & Wright, 2011).

In internationalisation, key differences exist between service and manufacturing firms (Bell, Crick, & Young, 2004; Erramilli & Rao, 1993). For this reason, we select the empirical context of a professional service firm (PSF) to start building a contextualised, nuanced appreciation of the dynamics for experiential learning and adaptation in the internationalisation process (cf. Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). The professional service sector is characterised by both low investments in fixed assets (Ball, Lindsay, & Rose, 2008; Boojihawon, 2007; von Nordenflycht, 2010) and reliance on a highly-qualified workforce (Abdelzaher, 2012; Pinnington & Sandberg, 2014), both of which affect an INV's internationalisation. Low investments in fixed assets result in the fact that relocating activities in light of volatile environments is easier as these decisions are not affected by commitment constraints (Pla-Barber, Sanchez-Peinado, & Madhok, 2010). In other words, the sequence of the firm's behaviour during the internationalisation process can be considered a direct manifestation of its learning and adaptation, making this a suitable setting for investigation. Dependence on a highly-qualified workforce means that the professional activities depend on individuals with specific knowledge and competencies (Pinnington & Sandberg, 2014), and that specific competences have to be assigned to the specific demands of professional services (Greenwood, Li, Prakash, & Deephouse, 2005). Given this focal role of human capital in PSFs and the increasing complexity in selecting suitable personnel for cross-border assignments (e.g., Fish, Bhanugopan, & Cogin, 2011), we can presume that part of the experiential learning in the internationalisation process is about the requirement for human capital. Whilst at the macro level it is reasonable to assume that INVs in the PSFs sector learn through experience about how to select their staff, at the micro level we do not know what this process of experiential learning entails. Hence we ask: *How does an INV in the professional service sector learn, and adapt its human capital requirements during its internationalisation?*

We adopt an exploratory, qualitative methodology and purposefully select a single empirical setting (Ghauri, 2004; Patton, 1990; Siggelkow, 2007) that is fully representative of INVs in the professional service sector. That is, our case firm has internationally experienced founders with a global vision (McDougall, Shane, & Oviatt, 1994; Madsen & Servais, 1997; Reuber & Fischer, 1997) and internationalisation is rapid and extends across multiple regions globally (Coviello, McDougall, &

Oviatt, 2011). This combination of factors is rare, and in such cases a single setting can have great potential for a nuanced exploration of context-specific practices that scholars can then pattern match to other contexts in the process of developing theory (Weick, 1995; Welch et al., 2011).

Our exploratory study shows how the PSF iterates through several phases involving developing, revising, and finalising its criteria for human capital requirements, which ultimately inform the adaptation of internationalisation practices. This paper offers a detailed picture of the microprocesses of experiential learning, involving establishing criteria against which situations are evaluated, taking stock frequently, being prepared to take action as well as being prepared to make mistakes and replace practices shown not to be viable. We also contribute to the PSF literature by illustrating the specific human capital requirements during the internationalisation process.

## **2. Theoretical background**

### *2.1. Experiential knowledge and learning in INVs*

INVs are known for having the attitude and managerial experience to enter markets across different global regions soon after inception (Coviello et al., 2011; McDougall et al., 1994; Oviatt & McDougall, 2005). Their expansion, however, is not necessarily sustainable as these firms may leverage their resources too optimistically (Sapienza et al., 2006). To this end, INVs rely on their ability to learn from their experiences and adapt their practices in the internationalisation process (Casillas et al., 2009; De Clercq et al., 2012), that is, on their dynamic capability (Sapienza et al., 2006; Weerawardena, Mort, Liesch, & Knight, 2007). INVs offer an opportune setting for investigating experiential learning as ventures are suggested to implement effective learning from new streams of experience (Autio, Sapienza, & Almeida, 2000; Reuber and Fischer, 1997; Sapienza et al., 2006). However, their rapid internationalisation makes them more vulnerable to failure than firms following a slower, incremental internationalisation process (Johanson & Vahlne, 1977, 1990, 2009) where experiential knowledge is accumulated gradually over time (Eriksson, Johanson, Majkgard, & Sharma, 1997).

Previous research focuses on the impact of different domains of existing knowledge for an INV's international growth, such as marketing (Khavul, Peterson, Mullens, & Rasheed, 2010; Ripollés &

Blesa, 2012; Zhou, Wu, & Barnes, 2012), networking (Coviello & Munro, 1997; Sharma & Blomstermo, 2003), or entrepreneurial knowledge (Karra, Phillips, & Tracey, 2008). Starting from the stance of existing knowledge as an antecedent to INV's internationalisation, these studies have addressed the processes through which specialised knowledge already possessed is deployed, as opposed to how it develops through the internationalisation process and through learning from the situations encountered (Johanson & Vahlne, 2009; Jones & Coviello, 2005). This is noted by scholars who call for a more dynamic perspective on how the process of experiential learning develops throughout the internationalisation process (Casillas et al., 2009; Prashantam & Young, 2011; Sleuwaegen & Onkelinx, 2014) to ensure the survival of the venture (Sapienza et al., 2006).

Key for the successful internationalisation of INVs is the deployment and development of internationalisation knowledge (e.g., Casillas et al., 2009; Fernhaber, McDougall-Covin, & Shepherd, 2009; Fletcher & Harris, 2012; Freeman, Hutchings, Lazaris, & Zyngier, 2010). Internationalisation knowledge provides the means to manage foreign operations, regardless of any specific market as it represents the firm's way to go international (Eriksson et al., 1997). Once the internationalisation process is underway for the firm, sources of knowledge other than the prior experience of the founder become increasingly important (Fernhaber et al., 2009). In this vein, one important source of new knowledge is experiential knowledge gained through the continuous engagement in foreign operations (Casillas et al., 2009; Fletcher & Harris, 2012). Still, the dynamics through which the firm integrates this experiential knowledge, learns, and adapts its practices have only been considered conceptually (Prashantham & Floyd, 2012), with empirical studies lacking and urgently required (Casillas et al., 2009).

## *2.2. Professional service firm characteristics and their implications for internationalisation*

PSFs provide services that require the mastery of a particular expertise for solving client problems (von Nordenflycht, 2010; Reihlen & Apel, 2007). These firms constitute a fast growing sector in the globalised economy and research on their internationalisation has recently gained momentum (Morgan & Quack, 2005; Muzio & Faulconbridge, 2013; Reihlen & Apel, 2007). Enabling forces for the internationalisation of PSFs include the ongoing integration of economies worldwide, the deregulation

of domestic markets, and the increasing global exposure of multinational corporations, which have a proclivity towards outsourcing (e.g., Di Gregorio, Musteen, & Thomas, 2009; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Lu, Quester, Medlin, & Scholz, 2012).

PSFs differ from other firms in their *knowledge intensity*, their *employment of a professionalised workforce*, and their reliance on *reputation for competence* (von Nordenflycht, 2010). Knowledge intensity links to the output of PSFs, which is heterogeneous, intangible, complex, and customised to client situations (Cloninger & Oviatt, 2007; Greenwood et al., 2005). Therefore, the quality of service delivery relies on the quality of human capital (Abecassis-Moedas et al., 2012; Pinnington & Sandberg, 2014). Because of the specialised nature of the knowledge and know-how possessed by individuals in the PSF, the competences of these firms are often opaque to clients, which is why they rely on reputation mechanisms (Teece, 2003; von Nordenflycht, 2010). For their intended international growth, PSFs leverage their reputation by following existing clients into international markets (Grönroos, 1999) or by using formal and information contacts as part of a globally organised network (Ball et al., 2008; Freeman, Cray, & Sandwell, 2007; Krull, Smith, & Ge, 2012).

Sending expatriates to the foreign location can be an effective way to deploy skilled individuals (Edström & Galbraith, 1977), particularly when services exhibit a high level of human capital intensity (Bouquet, Hébert, & Delios, 2004). However, expatriates may lack the necessary local market knowledge as well as access to local networks (Johanson & Vahlne, 2009). While hiring locally experienced people to gradually building up foreign operations is relatively common (e.g., Barkema & Vermeulen, 1998; Krull et al., 2012), these people may fall short of relevant business experience. Mirroring these difficulties, research on international human resource management emphasises the increasing complexity in selecting suitable personnel for cross-border assignments (e.g., Fish, Bhanugopan, & Cugin, 2011). In this regard, firms search for global competence in managers, encompassing managerial, cultural, and operational expertise (Cascio & Boudreau, 2016). In order to stay competitive, firms are required to be specific about the requirements that constitute effective international managers (Farndale, Scullion, & Sparrow, 2010), which poses difficulties because the high degree of specialised knowledge and discretionary judgement result in a vague job profile and additional uncertainty for the executives in selecting and attracting suitable personnel (Bouquet et al.,

2004). It follows that, when a PSF strives to internationalise its activities, it faces a high degree of uncertainty regarding suitable human capital. As the deployment of human capital is at the core of successful service delivery for PSFs (Abecassis-Moedas et al., 2012; Pinnington & Sandberg, 2014), the learning and adaptation of human capital requirements is crucial for sustainable internationalisation, particularly when it happens at a rapid pace. Thus, an investigation of how an INV in the professional service sector learns and adapts its human capital requirements is a timely area of empirical enquiry.

### **3. Methodology**

#### *3.1. Case selection and introduction of the empirical setting*

In our study, we investigate how an INV in the professional service sector uses experiential learning to adapt its human capital requirements during internationalisation. On the one hand, previous research on INVs provides information about the importance of acquiring relevant experiential knowledge (e.g., Casillas et al., 2009; Fernhaber et al., 2009; Fletcher & Harris, 2012) and its reconfiguration (e.g., Prashantam & Floyd, 2012; Weerawardena et al., 2007). On the other hand, PSFs differ from traditional service firms (von Nordenflycht, 2010), which has ramifications for their internationalisation (Greenwood et al., 2005). This requires close scrutiny of the empirical setting with a view to collect fine-grained data for every meaningful event in the international growth of the firm. Thus, we judge that closeness to the setting is our priority, allowing us to gain a rich understanding of the context (following McGrath, Martin, & Kulka, 1982). In this sense, we choose to theorise on this topic (Weick, 1995) rather than to test theory, with a view to generalise findings. We do so inductively, starting with an in-depth understanding of a representative empirical site in the specific industry context of PSFs. This context is distinctive for its high-dependency on the human capital of the workforce and for its low intensity of fixed assets for delivering services (Ball et al., 2008; Boojihawon, 2007; Hitt et al., 2006; Rugman & Verbeke, 2008; von Nordenflycht, 2010). The explanations we build are therefore context-specific (Piekkari, Welch, & Paivilainen, 2009; Welch et al., 2011). In doing so, our aim is not to create generalisable propositions but rather to offer a nuanced view of the dynamics specific to the internationalisation of a PSF INV so that future researchers can

build on our insights by pattern matching our findings to different industry contexts (Weick, 1995; Welch et al., 2011).

In line with our aims, we purposefully select a single empirical setting (Ghauri, 2004; Patton, 1990; Siggelkow, 2007) that is fully representative of both INVs and PSFs (see Table 1 below). The single setting allows for an intensive engagement of the researcher in the focal firm to gather insights into idiosyncratic processes and activities (Siggelkow, 2007), thus maximising faithfulness to the reality of the context (McGrath et al., 1982). Although it is advocated that single case studies are best when they represent an exception that helps uncover the rule (Siggelkow, 2007), we maintain that an exemplary firm featuring all the characteristics that have been associated with an INV can be a powerful source of insights that can ultimately inform theory development (Welch et al., 2011). This design is inspired by previous empirical work using single settings to maximise authenticity of data interpretation, particularly by studies e.g. on the dynamic capabilities required for managing a small global factory (Eriksson et al., 2014), the holistic perspective of a PSF's internationalisation process (Krull et al., 2012), the sources of knowledge and learning in international joint ventures (Park & Harris, 2014), and the translation practices of organisational members (Piekkari et al., 2013). Their primary means of data collection—interviews, archival documents, and observation—are applied for conducting our study.

The theoretical sampling criteria used to select our INV mirror those summarised by Autio (2005) and are outlined in Table 1. The firm had to have gone international early after inception and continued on a rapid international expansion (Coviello, 2015; Coviello et al., 2011; Jones, Coviello, & Tang, 2011; Oviatt & McDougall, 1994) whilst staying sustainable (Sapienza et al., 2006). It had to be driven by founders with previous international experience (McDougall et al., 1994; Madsen & Servais, 1997; Reuber & Fischer, 1997), with an entrepreneurial orientation (Jantunen, Puumalainen, Saarenkento, Kyläheiko, 2005; Kuivalainen, Sundqvist, & Servais, 2007; McDougall & Oviatt, 2000), and with a proactive vision towards international growth. Finally, it had to be accessible to the researcher. We identified an empirical setting that carried all of the aforementioned characteristics and to which one of the authors had full access. We refer to our case company as CommServ to disguise its real identity.

**Table 1**

Theoretical sampling criteria and matching features of CommServ.

<b>Theoretical sampling criteria (for selection of setting)</b>	<b>Evidence of criteria at CommServ<sup>1</sup> (Sources: Observation, interviews, documents)</b>																																	
<i>Early and rapid international expansion across multiple geographic regions post inception</i> (Coviello, 2015; Coviello et al., 2011; Jones et al., 2011; Oviatt & McDougall, 1994)	2002 – London, United Kingdom (Co-founding site). 2002 – Moscow, Russia (1 <sup>st</sup> market entry) 2002 – Paris, France (1 <sup>st</sup> market entry) 2003 – New York, United States of America 2004 – Tokyo, Japan 2005 – Moscow, Russia (2 <sup>nd</sup> market entry) 2008 – Paris, France (2 <sup>nd</sup> market entry) 2008 – Beijing, China 2009 – Zurich, Switzerland 2009 – Brussels, Belgium 2009 – New Delhi, India 2010 – São Paulo, Brazil																																	
<i>Sustainable rapid international growth</i> (Sapienza et al., 2006)	<table border="1"> <thead> <tr> <th>Year</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Net Profit (MEUR)</td> <td>1.3</td> <td>n/a</td> <td>2.4</td> <td>2.7</td> <td>3.4</td> <td>3.9</td> <td>6.0</td> <td>4.2</td> <td>5.5</td> <td>4.9</td> </tr> <tr> <td>Headcount</td> <td>14</td> <td>20</td> <td>25</td> <td>35</td> <td>33</td> <td>52</td> <td>57</td> <td>60</td> <td>65</td> <td>74</td> </tr> </tbody> </table>	Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Net Profit (MEUR)	1.3	n/a	2.4	2.7	3.4	3.9	6.0	4.2	5.5	4.9	Headcount	14	20	25	35	33	52	57	60	65	74
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<i>Internationally experienced entrepreneur / Top Management Team</i> (McDougall et al., 1994; Madsen & Servais, 1997; Reuber & Fischer, 1997)	‘We all grew up in international corporations and gained knowledge.’ ‘I joined CommServ 6 years ago, beginning of July 2005. I came from an international competitor whose German office I’ve run.’ ‘I was correspondent for a business newspaper in India for a long time and I established CommServ’s office there.’																																	
<i>Entrepreneurial spirit</i> (Jantunen et al., 2005; Kuivalainen et al., 2007; McDougall & Oviatt, 2000)	‘The idea [...] emerged from the requirement for consulting services as support for the daily tasks at the corporation I was working for, which we didn’t find in the market. [...] So the idea emerged that we launch a consultancy specialised on communication services with the expertise of people who have had a lot of operative responsibility in this area.’ ‘The trigger for joining CommServ was the possibility to act entrepreneurial within this firm.’ ‘It is expected that hired managers act like entrepreneurs although they are just employed managers, like me.’																																	
<i>Proactive vision towards internationalisation</i> (Autio, 2005; Kuivalainen et al., 2007)	‘We automatically stated from the beginning that we can use our knowledge best for international issues.’ ‘If you have the aspiration to acquire truly global mandates, we would have to be even more global than we already are.’																																	
<i>Proactive vision towards growth</i> (Autio, 2005)	‘We chose a structure using our experience from our previous professional lives. We started off with a size too big, if you want. We gave ourselves a corporate structure that was oversized and we had to grow into that.’ ‘We had a vision. On the first night we met, [the CEO] showed us a chart with the growth curve from year one to year ten. So we knew from the beginning what the aspiration of the CEO was.’																																	

<sup>1</sup> Quotations are taken from the case interviews.

CommServ is an international communication consultancy firm advising various clients in different matters of strategic communications. The client base ranges from multinational corporations to institutions and governments. The range of services comprises corporate, finance, and crisis communications; reputation management, and investor relations. Founded in 2002, the company is headquartered in Germany and expanded its international scope in subsequent years. By the end of 2010, it had established wholly-owned offices and co-operations in Europe, Asia, and North America, making it a truly internationalised firm. This international exposure reflects a strategic necessity, because CommServ strives to manage cross-border projects for clients that need support in more than one country simultaneously. That means that CommServ does not aim to serve Indian clients in India or Japanese clients in Japan, but Indian clients that need communication support in Germany or vice versa. Two examples illustrate typical cross-border projects. First, a German multinational decided to divest its American subsidiary by means of an initial public offering (IPO). With offices in both countries, CommServ coordinated the necessary corporate communication for the headquarters in Germany and the subsidiary in America. This comprised addressing potential investors, crafting the equity-story, and being the official press contact for all IPO-related inquiries. Second, an Indian multinational needed communication support in Germany and France due to a product recall. Being present in both markets, CommServ provided communication support aiming at restoring the company's reputation.

### *3.2. Data sources and collection*

We collected data through three sources, namely observation, semi-structured interviews, and documents. One of the authors was working part-time at CommServ for two years, from mid-2008 to mid-2010, hence acting as an *observer* (Piekkari et al., 2013). In this role, this author attended events at the German headquarter, engaged in conversations with employees and executives, and generally observed the daily activities of the business in order to gain an in-depth understanding of the organisational culture, its activities, and the reasons behind those. It is worth noting that, whilst the author was involved in firm activities at all levels, he did not influence the internationalisation process in any way. That is, he did not provide guidance, feedback, or advice to the members of the company,

neither was he awarded that discretion or power to do so. During that time, the author acquired a level of pre-understanding (Gummesson, 2000) about the company's business segments, its processes, and its corporate conduct. This was crucial in gaining an overall view of the context within which to fit the interviews carried out later. For instance, by the time the interviews were conducted, CommServ displayed its current international locations on its website. However, former subsidiaries or the developmental steps for each subsidiary were not displayed. In his function as observer, the author gained knowledge of particular incidents occurring in some foreign subsidiaries and then asked specifically about these incidents in the interviews. Another form of pre-understanding occurred in a way that the author built up trust with the staff and executive level management, resulting in respondents being available for interviews as well as being exceptionally open in their accounts (Wolcott, 1990). Table 2 provides a summary of the types and evidence of pre-understanding gained during the observation.

**Table 2**  
Summary of sources and types of pre-understanding during observation.

Type of pre-understanding	Source of pre-understanding	Date
General awareness of foreign offices' performances	Conversation with senior managers at corporate events, various conversations with employees	Throughout 2009/2010
Awareness of specific problems with the Moscow office	CFO, previously located at the same office like the author, was sent to Moscow as interim managing director	Late 2008
Awareness of ongoing problems with the New York office	Several office conversations with colleagues	Start 2009
Appreciation for the type of foreign managing director	Informal discussion with CEO at corporate event Encounter with managing director from Paris in headquarters	Late 2009
Deep understanding of business content	Ongoing participation in different cross-border projects Working with various teams, specialised in different areas of the service portfolio	Late 2008 until mid-2010
Appreciation of the founders' personalities and vision for the company	Informal discussion with CEO at corporate event Informal meeting with co-founder at corporate event Informal after work meetings with senior managers	Late 2009 Mid 2010

Once the author was fully familiar with the organisation, he was able to identify key informants on CommServ's internationalisation process with whom to conduct *semi-structured interviews*. One of

the authors interviewed multiple informants able to shed light on the logic and outcomes of each of the international market entries and how the experiences from one entry was later considered in the following entries. Interviewees consisted of multiple top-level executives who had been with the company for a long time and were hence knowledgeable about past market entries, and of executives with responsibility for a specific foreign market. The interviews took place between June and August 2011. Six informants were interviewed in total, including the CEO, co-founder, equity-partners, and country managing directors. We collected all possible accounts of internationalisation events from inception, with accounts from at least three individuals on each event. The interviews ranged between 45 to 90 minutes. Two interviews were conducted face-to-face; four were telephone interviews due to distance constraints. The interviewees and the author who conducted the interviews were German nationals and all interviews were conducted in German, recorded and transcribed, and then translated to English.

As third source of data collection, we obtained data from a number of publicly available *documents*. Information on the financial performance of the firm was collected through public reports. Every company in Germany is obliged to disclose its financial statements to the government. These statements (Balance sheet, income statement, and management report) are accessible in an online trade registry. Based on the annual statements that could be accessed, the firm consistently showed an annual net profit (see Table 1). From this data we infer that CommServ managed to stay financially healthy during its rapid international expansion. Finally, we collected data from the company's website, internal newsletters, publications of the employees in professional journals, press releases and other informal data like headcount figures to gain an even more complete understanding of the activities pertaining to the employees and the company as a whole. All of the latter informed the questions asked during the semi-structured interviews.

### *3.3. Data analysis procedures*

We analyse our data through the inductive technique outlined by Corley and Gioia (2004) and recently adopted in international business studies (e.g., Tippmann, Scott, & Mangematin, 2012). The first stage of data analysis takes place in parallel with the data collection and consists of fracturing

each interview into accounts of specific internationalisation events since firm inception. Those events consist of market entries, exits, or mode changes in an existing market. We cross compare accounts of the event across all informants that have been directly involved in the event at hand. We use MAXQDA 11 to manage this initial partition of the data. The result of this process is a spread-sheet where all interviewees' accounts related to each internationalisation event are placed in the same row. This facilitates our ability to triangulate accounts of events across respondents and check that they converge (Yin, 2003). Figure 1 shows CommServ's internationalisation as a process of events over time (Jones & Coviello, 2005), followed by a short narrative.

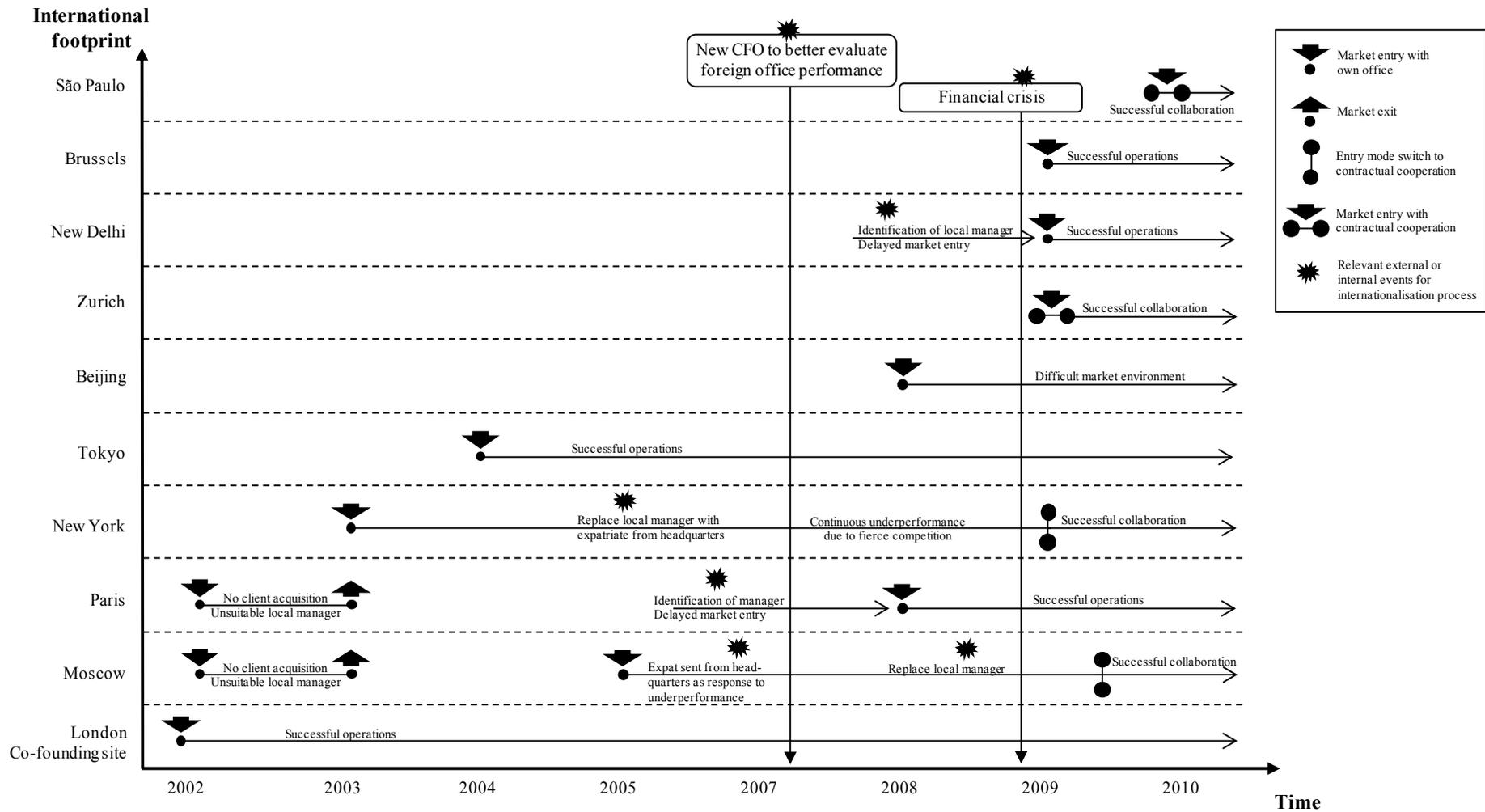


Fig. 1. CommServ's internationalisation process.

In 2002, CommServ commences its business and international activities with an office in London and Munich simultaneously to signal an international aspiration from the beginning. Business activities between the German and both the Russian and the French market make the founders hire two managers to establish small offices in Paris and Moscow. They intend to acquire business from local firms that require communication support in Germany or vice versa. In 2003, however, these offices are shut down because both managers prove unsuitable for acquiring business. From inception, a presence in the American market is deemed important for CommServ's international reputation. Hence, the request from an existing client for communication support in America triggers activities to establish an office in New York.

In 2004, one founder makes use of a serendipitous encounter with an old acquaintance. This person, located in Japan, faces a career change. He joins CommServ for establishing an office in Tokyo and gains his old employer as client. Entering the Japanese market was not the intention of the founders at the time, but the combination of a manager with known skills and a client makes CommServ start its business there. In 2005, a Russian company in need of communication support in Germany makes CommServ enter the Russian market for the second time. Simultaneously, the founders replace the manager of the American office with an expatriate from the headquarters, hoping to improve performance. In response to ongoing difficulties in the newly established Moscow office, the founders send an expatriate to support the local manager.

In 2008, CommServ enters the French market for the second time. This decision was preceded by demands from an existing client for additional services in France. Later that year, CommServ enters China to be present in the largest growth market at the time. In 2009, the ramifications of the financial crisis lead to changes in CommServ's international portfolio. Both in Moscow and New York, CommServ realises that its offices are not competitive. Hence, they engage in a contractual collaboration with local firms in order to still signal a local presence for their clients. Despite these entry mode switches, the founders enter the Belgian and the Indian market, because two existing clients make a presence in both respective markets a requirement for continuing their existing arrangements with CommServ. In Zurich, the founders intend to enter with an office first, but after an unsuccessful search for a manager they choose a contractual collaboration with a local consultancy as

entry mode. In 2010, CommServ uses its contacts from prior projects to engage in a contractual collaboration with a local consultancy to enter the Brazilian market.

The second stage of inductive data analysis is summarised in Figure 2. Here, we code each of the events in-vivo, giving it an initial code that stays close to the concepts expressed by the informant (first order concepts). We later compare and contrast first-order concepts and interrogate them to identify similarities and differences amongst them. We notice that they all refer to different criteria for CommServ's human capital requirements. In order to capture this emerging pattern in the data, we aggregate first-order concepts into second-order themes and code the latter according to our observations (Corley & Gioia, 2004). Finally, we notice that our second-order themes, referring to the criteria for the firm's human capital requirements, include several phases involving developing, revising, and finalising requirements for the selection of staff, as well as informing the adaptation of internationalisation practices of the firm (aggregate dimensions).

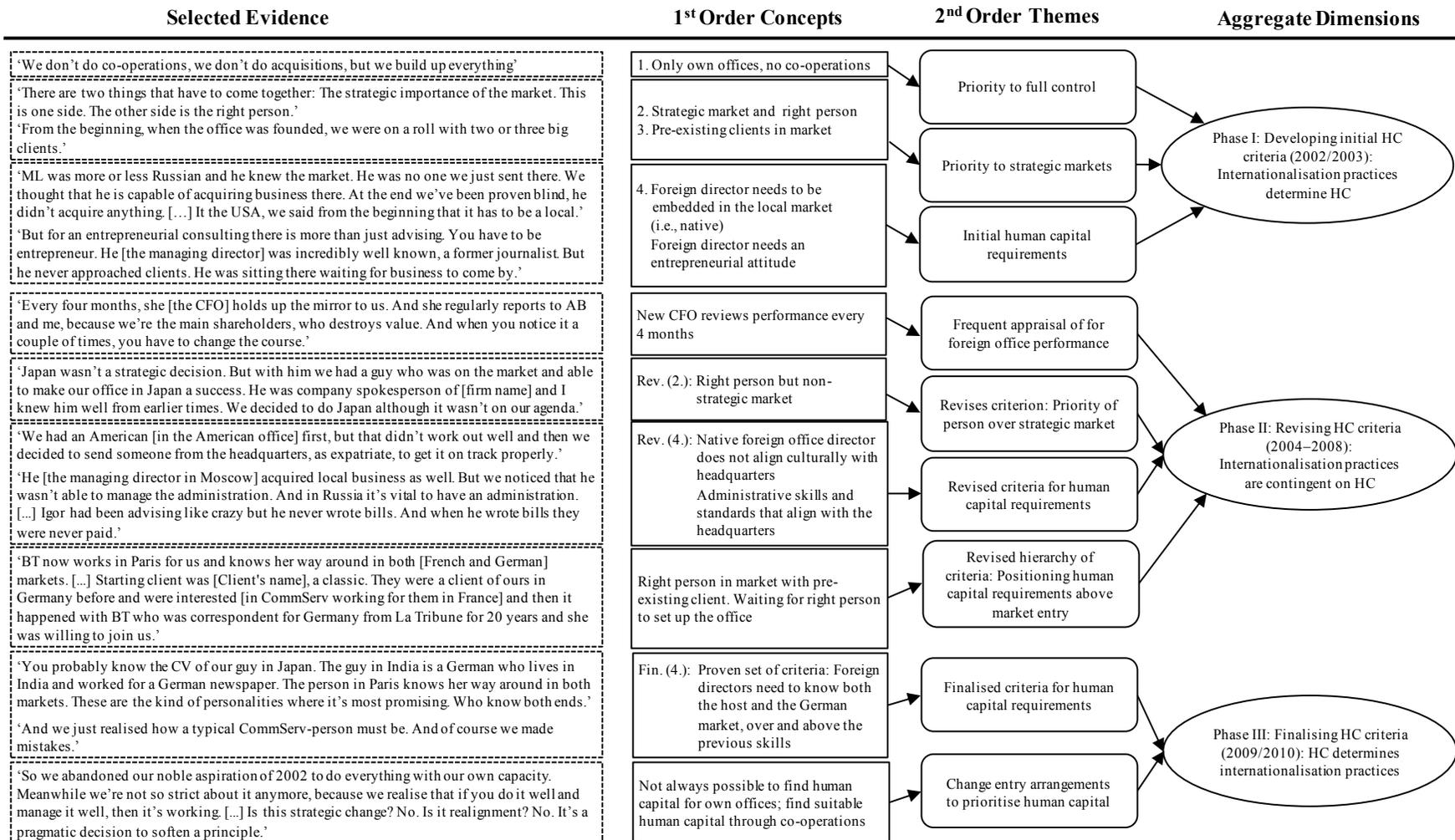


Fig. 2. Summary of thematic analysis ('Rev. (no.),' denotes revising, while 'Fin. (no.),' denotes finalising criteria for human capital requirements).

### 3.4. Robustness measures

Qualitative research cannot rely on standardised quality measures like quantitative research (Sinkovics, Penz, & Ghauri, 2008). In order to establish robustness, we rely on well-established criteria in qualitative research (Lincoln & Guba, 1985): Credibility, transferability, dependability, and confirmability. We enhance *credibility* in multiple ways. The prolonged engagement of one author with the case firm, which could have led to bias and lack of objectivity, was counterbalanced by other authors challenging and contesting the observations made (Piekkari et al., 2013). Being aware of the pitfalls of retrospective interviewing (Huber & Power, 1985), we also applied data triangulation. We let different respondents recount the same events. When noticing mismatches between the account being given by one interviewee and the previous, we asked for clarification until we were able to achieve a complete understanding of the event under scrutiny. The data triangulation of accounts across the key actors ensures that the overall dataset is representative of the firm as opposed to a view biased by a single perspective. The triangulation of interviewees' accounts with the factual information from the firm's management reports, the purposeful selection of the case (Ghauri, 2004), and iterations between data collection and analysis further improve the credibility of our study. *Transferability* refers to generalising results to other contexts. This is inherently difficult within a context-sensitive research setting. However, we provide a thick description of the case firm's experiential learning during the ongoing internationalisation for inductive-based theorising on this topic (Weick, 1995). This allows future research to apply these patterns to different contexts and either confirm or reject our findings. *Dependability* refers to the reliability of the study's findings (Sinkovics et al., 2008). We improved transparency through a detailed description of our research process and a comprehensive illustration of the relevant processes and activities of the case firm's internationalisation, which enhances the reliability of the data. Throughout the presentation of the findings and our data analysis, we provide a number of quotations, substantiating our chain of evidence to the reader (Yin, 2003). We achieve *confirmability* through embedding our (emerging) story within two established streams of literature (international new ventures and professional service firms), ensuring that the interpretations drawn from the data are not an outcome of the researcher's imagination (Sinkovics et al., 2008).

## 4. Findings

The theoretical story emerging from our inductive data analysis is one of an actively and closely monitored learning process through which CommServ *develops, revises, and finalises* criteria to determine its human capital requirements. These phases are not necessarily exhaustive or a pure means to an end, but illustrate how the firm deliberately learns from its continued experience during its foreign expansion. Immediately after the first two years of engagement in foreign locations and through accumulated reflections on those engagements, the firm becomes increasingly aware of what was successful, what was not, and why. This process of continuous appraisal of successes and setbacks in each market aids awareness of shortcomings in the criteria for the current human capital requirements, which triggers actions inside the firm to revise these criteria, as well as to adapt its internationalisation practices<sup>2</sup>.

### 4.1. Phase I: Developing initial criteria (2002–2003): Human capital follows foreign market choice

As evident from Table 1, CommServ's founders start their business with the vision to build an international consultancy, which makes early international growth a mandatory strategic goal. Following their experiences prior to starting the company, the founders decide to enter foreign markets with a formal presence to signal international competence and reputation, and where they anticipate demand for their services. In addition to these practices, they assume the necessity for hiring individuals who are familiar with the focal market to deliver CommServ's services. The co-founder explains this as follows:

*With every office we establish we have the intention to grow in an interesting market. [...] We thought: The market is important and we know someone who makes sense.*

Within their first year, the founders enter the French and Russian markets because they expect latent demand for their communication services. They search for managing directors with the criteria they deem important for their human capital requirements, that is, the relevant foreign market knowledge and local networks. After the successful search they hire both managers and establish an office in Paris and one in Moscow. After less than a year, the founders realise that the managing

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<sup>2</sup> Internationalisation practices refer to the general approach CommServ uses to internationalise, irrespective of any foreign market in particular. These practices include the mode of entry (wholly-owned offices) and the choice of market (strategically important and/or following existing clients).

directors in both offices are not meeting targets, which prompts the decision to retreat from both markets. This triggers a development in the previously articulated criteria whereby the founders realise the importance for the directors to possess foreign country institutional knowledge, over and above the previously considered market knowledge and the local networks. The founders determine that for subsequent market entries the managing director has to be *deeply embedded in the focal market*. Also, the founders notice that both persons lack the necessary *entrepreneurial foresight* to successfully acquire additional business, which they now realise as a necessary condition to run their foreign offices. The co-founder explains this insight:

*But for an entrepreneurial consulting there is more than just advising. You have to be an entrepreneur. He [note: the former local manager] was incredibly well known, a former journalist. But he never approached companies. He was sitting there waiting for business to come by. And so we decided after one year to shut down the office. It was a quick decision.*

To summarise, in this first phase of experiential learning, the criteria for CommServ's human capital requirements are developed to add attributes such as being fully embedded in the focal market (that is, having institutional knowledge, market knowledge, and access to industry networks) and having an entrepreneurial spirit which is conducive to attracting more business within the market. Following these insights, they hire an American for establishing their office in New York. At this point, the human capital requirements follow the choice of the foreign market. The founders apply the practice that the strategic importance of the foreign market, an entry mode that ensures full control, and existing clients determine the foreign market of choice, with the identification of suitable human capital coming second in the list of priorities.

#### *4.2. Phase II: Revising criteria (2004–2008): Human capital requirements interact with entry and non-entry decisions*

During the following five years of internationalisation, CommServ continues to revise its criteria for human capital requirements. In 2004, the founders make use of an opportunistic market entry. They identify a person who embodies the criteria they now deem important for running a foreign office. This person is located in Tokyo, Japan, and is willing to join CommServ. Hence, the decision to enter the Japanese market hinges entirely on the combination of having an individual with the

desirable characteristic together with an existing client. The local managing director explains this development as follows:

*It was because of the sudden availability of me and the connection with the client that allowed us to start here and to make a profit, at least in the first year with this contract. [...] So they didn't look for anyone to run Japan and ended up with me, but suddenly Japan and me were there and they said: Why not?*

In 2005, the founders decide to re-enter the Russian market, applying their revised criteria as well. They hire an entrepreneurial Russian with the relevant know-how and wealth of experience.

*I knew Igor really well. He was a journalist and had a lot going on like founding associations for Russian journalists and the like. He initiated a lot of those things. [The CEO] knew him, too. So, I approached him and asked whether he wanted to join the firm. And suddenly this seemed a wise decision for us.*

However, events in both New York and Moscow prompt further revisions for the human capital criteria regarding the importance of the cultural fit of the managing director with the headquarters. In the New York office, the managing director is too distant from the home country and corporate culture of CommServ, which results in increasing conflicts with the headquarters until they let him go. However, due to existing client contacts in the market, CommServ does not retreat. Rather, they send an expatriate manager from the headquarters in Germany. The co-founder puts it as follows:

*He was too distant in cultural terms. He didn't know CommServ well and he managed things by himself, which was hard to comprehend, and so we decided that someone from the headquarters has to go there.*

Similar inadequacies emerge in the Moscow office in 2008, when the founders realise that the Russian managing director lacks the necessary knowledge of business conduct in Germany to successfully manage cross-border projects between Russian and German clients. Becoming aware of these shortcomings was the result of hiring a new CFO in 2007 in order to better keep track of the performance of the foreign offices. The co-founder explains her important role for the internationalisation process as follows:

*Every four month, she holds up the mirror to us. And she regularly reports to [the CEO] and me, because we're the main shareholders, who destroys value. And when you notice that a couple of times, you have to change the course.*

Both these negative experiences in the Russian and American markets, and concurrently the positive experiences with the managing director in Japan lead to a revision of the criteria for the human capital requirements based on the founder's perceived importance in making the foreign market entry successful. Above all, the sustainability of a foreign office hinges on the personal skills of the managing director, in contrast to following initial internationalisation practices, such as entering only markets of strategic importance or acquiring new clients before market entry. Among the personal skills, the cultural fit with both CommServ's home market in Germany and the specific foreign market is the most important criterion. This revised knowledge about the necessary personal skills of the foreign managing director led the founders to establish an office in Beijing in 2008 with a Swiss national as managing director, who is familiar with CommServ's German home market and who has been living in China for several years. Further, they delay their planned entry into the French market in order to wait for the right person. One co-founder explains this scenario for the managing director in Paris:

*We tried her for two years until she finally jumped on board. We knew she's absolutely the right one. She was a journalist and we'd known her from our work here. And we knew that she's smart as an entrepreneur. It took a while but now we're totally happy with her.*

To summarise, in Phase two CommServ further revises its criteria for the human capital requirements to align the person's understanding with the culture of the company headquarters and home market. The person has to be entrepreneurial, fully embedded in the market but also fully align with the culture of the headquarters of CommServ. The firm also realises the central importance of those human capital criteria for the sustainability of the foreign market entry. It follows that the initial internationalisation practices for entering a foreign market are contingent on the availability of the appropriate human capital.

#### *4.3. Phase III: Finalising criteria (2009–2010): Human capital determines market entry arrangements*

Over the following two years, the founders recognise that their offices in London, Tokyo, Paris, and their recently opened office in New Delhi are performing excellently. They attribute this success primarily to the managing director's fit with CommServ's culture and home country, besides their individual skills. They possess industry, market, and institutional knowledge in their respective foreign countries of operation; they are locally embedded in those countries and have an enterprising spirit. This signifies that the founders have taken stock of both successes and failures from trying different human capital criteria and have come up with a final set of criteria for selecting managing directors for running their foreign offices. One of the executives from the headquarters puts it as follows:

*You probably know the CV of our guy in Japan. The guy in India is a German who lives in India and worked for a German newspaper. The person in Paris knows her way around in both markets.*

*These are the kind of personalities where it's most promising. Who know both ends.*

And one co-founder emphasises:

*And we just realised how a typical CommServ-person must be. And of course we made mistakes.*

However, the performance of the offices in New York and Moscow is far from meeting their expected targets. Those offices are still run by expatriates from the headquarters trying to establish a sustainable client base. In the American market, competition is fierce and the expatriate from Germany lacks the business contacts necessary to acquire new clients. In retrospect, an executive explains this situation as follows:

*New York had a couple of good years with very interesting clients but the way how we've run it until recently it had never been a stand-alone profitable, sustainable and stable operation.*

The continuous low performance in New York and Moscow reveals that CommServ is unable to identify managers who embody the proven set of criteria for human capital requirements. As a result, the founders compromise on the established practice to set up fully-owned foreign offices in order to account for the centrality of suitable human capital in the focal market. That is, they are prepared to use cooperation modes when the partner firm has directors that meet all the criteria for the human capital requirements identified as key to performance. In this sense, the set of criteria for human capital requirements becomes established and prioritised above the internationalisation practices. An executive from the headquarters explains this pattern:

*Therefore we adapted our approach to reality. We've learned that, coming from our original aspiration to make everything fully-owned and under own management, it is not sustainable everywhere, at least not with that amount of effort we're willing to commit.*

With the ramifications of the financial crisis gradually affecting CommServ's business, coupled with the newly gained insight that their initial internationalisation practices are not sustainable in some markets, the founders acknowledge that they cannot identify a suitable managing director for their offices in New York and in Moscow and switch to a contractual collaboration with a local consultancy in both markets. This allows CommServ to use ideal human capital through their partners on-site and retain a presence in the focal markets in order to signal the ability to still deliver their services there. The co-founder explains this entry mode change as follows:

*We had established clients there, so you can't just say: Goodbye, now take care for yourself. Now we have a cooperation partner that does that a lot better than we could do. We did the same in the USA, so that we don't have to pull the plug but to stay there, even without completely own capacities.*

Besides switching entry modes in established markets, CommServ immediately follows its adapted practices when entering foreign markets. For their office in Zurich, the founders were searching for suitable managing directors for almost a year until they decided to enter the market with a contractual collaboration with a local consultancy that had access to individuals with the proven set of criteria. Similar events happen in South America, where CommServ has several contacts from existing projects. Here, the firm enters the market through a formal collaboration with a local agency, thus maintaining its growth ambitions.

To summarise, in this phase of their internationalisation, CommServ finalises its criteria for human capital requirements. This, however, comes with the realisation that the firm will not always have access to human capital that meets all the desired criteria (entrepreneurial spirit, insider knowledge of market and industry, alignment with headquarter culture and conduct). Therefore, the firm adapts its initial internationalisation practices, such as entering only markets of strategic importance with wholly-owned offices, in that those are now determined by the availability of suitable human capital. The human capital requirements are no longer defined by the ability to identify a suitable person for establishing a wholly-owned office in the foreign market but by the ability to identify a partner in the

local market that has a suitable pool of human capital that meets the proven set of criteria. Figure 3 illustrates the shifts towards the pivotal role of human capital requirements in CommServ’s internationalisation, based on its experiential learning during its foreign growth.

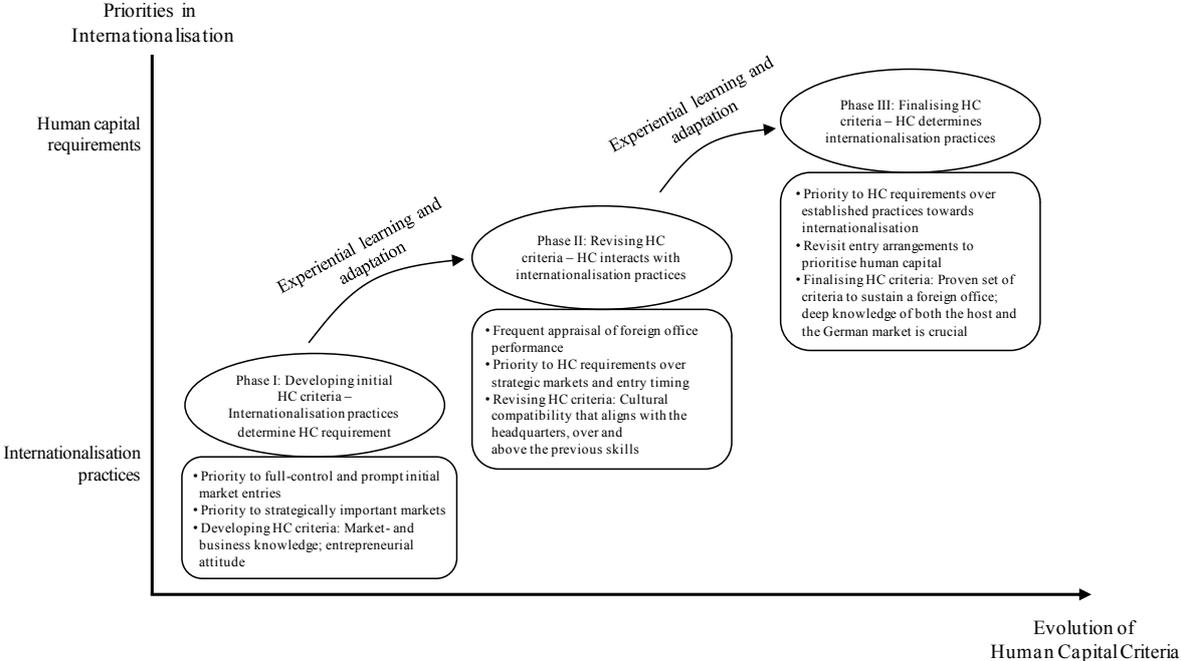


Fig. 3. Evolution of human capital requirements and impact on internationalisation priorities.

5. Discussion and conclusion

5.1. Contributions to the literature

Far from being a linear process, the internationalisation of the firm is dotted with doubts, setbacks and false starts (Bell et al., 2001; Jones, 1999; Vissak & Francioni, 2013). In order to develop a sustainable approach to international growth, INVs need to keep learning from experience and adapting during their internationalisation. What this process of experiential learning and adaptation looks like in detail is the subject of our enquiry. In this paper, we offer a contextualised exploration of the processes through which an INV in the professional service sector learns and adapts the criteria for its human capital requirements, based on the sequence of experiences during its ongoing activities abroad. In doing so, we respond to calls for a closer examination of the dynamics of experiential learning in INVs (Casillas, Barbero, & Sapienza, 2015; De Clercq et al., 2012; Jones & Casulli, 2014) and how these inform subsequent internationalisation practices (Casillas et al., 2009). Thus far, these dynamics have been addressed conceptually (e.g., Prashantam & Floyd, 2012) and scholars have

called for further empirical enquiry to shed light on how firms tackle the challenge of learning and adapting quickly in the messy internationalisation process (e.g., Casillas et al., 2009; De Clercq et al., 2012; Prashantam & Young, 2011; Sleuwaegen & Onkelinx, 2014), whilst staying sustainable (Sapienza et al., 2006) and avoiding fatal mistakes that may kill the firm. Our empirical findings contextualise and extend conceptual work suggesting that INVs rely on their dynamic capability to learn from their experiences and adapt their practices in the internationalisation process (Sapienza et al., 2006; Weerawardena et al., 2007), particularly on their ability to improve existing, and develop new practises (Prashantham & Floyd, 2012).

We find that, with increasing foreign exposure, the professional service firm learns from its experiences and iterates through phases of *developing*, *revising*, and *finalising* its criteria for the requirements of suitable human capital. We provide a detailed account on the dynamics of experiential learning and highlight that having criteria for important dimensions of the international growth process—in our case, the human capital requirements—allow the executives to engage in deliberate learning efforts from the outset. Having those criteria, however flawed they prove to be at a later stage, provides an initial basis for later adjustment. In this sense, our findings add a nuance to the view that initial small firm internationalisation carries such high uncertainty that there is limited strategic direction over the process (e.g., Schweizer, 2012; Chandra, Styles, & Wilkinson, 2009). To the latter we add that the very notion of having initial criteria is a strategic point of departure.

Crucially, the transition from one phase of criteria development to the next does not happen by default. Rather, the firm needs to take an active role in monitoring the learning process aimed at selecting the suitable human capital by engaging in continuous reflection, critical evaluation, adjustment of criteria for its human capital requirements, acceptance of affordable mistakes, and ultimately adaptation of internationalisation practices shown not to be viable. These microprocesses enable the INV to learn from both the successes and the errors, and to do so at intervals that are long enough to allow for a full implementation of the criteria currently being tried, but short enough that unsuccessful criteria can be changed to avoid excess losses.

Another contribution of the paper consists of its clarification of the role of setbacks in the internationalisation of the firm. The latter has been reported to be dotted with doubts, setbacks and

false starts (Bell et al., 2001; Jones, 1999; Vissak & Francioni, 2013), which have implicitly been viewed as unavoidable undesirables. In contribution, our findings indicate that those setbacks can be more usefully viewed as a ‘necessary evil’ so long as the process is carefully monitored. At any point in time the firm makes an initial decision in which their criteria for selecting human capital is reasonable but bounded. Due to the inherent uncertainty and complexity facing any new internationalisation act, the firm cannot know what the limitations of their criteria are until they are put to the test of practice. They then readjust on the basis of what they have learned (through either success or failure) and do so in a timely manner.

To the specific context of professional service firms, which is highly reliant on human capital (Abdelzaher, 2012; Pinnington & Sandberg, 2014), we contribute that learning from experience consists of deploying human capital with increasingly more specific combinations of competence and know-how. The INV hires outside managers to access their competences in order to pursue international growth. While these practices are suitable for overcoming a lack of knowledge about foreign markets (De Clercq et al., 2012; Fletcher & Harris, 2012), the criteria against which these outside managers are selected and deemed suitable for the firm’s foreign activities constitutes firm-specific internationalisation knowledge, irrespective of any particular foreign market.

Further, characteristics such as low capital intensity or the possibility to follow clients abroad help PSFs to exploit benefits from foreign market entries faster than more capital intensive firms (Contractor, Kundu, & Hsu, 2003). However, the importance of specific knowledge for service delivery is seen as a burden for increasing foreign commitment because specialised knowledge is often location-bound and difficult to transfer (Abdelzaher, 2012; Rugman & Verbeke, 2008). In our case, we notice that it is the specialised knowledge of the outside managers that allows the founders to bridge the distance to the foreign markets, and hence enables the firm to internationalise rapidly. While the literature acknowledges the function of expatriate managers as carriers of host country experience (Hébert, Very, & Beamish, 2005), our findings suggest that expatriates may not always be suitable when they lack immediate access to local business networks and are still outsiders in the focal market (Johanson & Vahlne, 2009) in contexts in which being insider is of strategic importance.

### *5.2. Implications for managers*

Our findings indicate that the benefits from a learning advantage due to absent hierarchies and structures (Autio et al., 2000) are not necessarily automatic – learning from experiences may require dedicated effort and procedures. Whilst every firm may claim to be interested in learning, not every firm may have the appropriate processes in place to do so. Based on the initial evidence from our study and if supported by further research, decision makers in INVs can enhance the effects from their experiential learning by realising where their prior knowledge is limited, having criteria for strategically important dimensions in place, and make a conscious effort to review and update these criteria regularly during the ongoing foreign growth process, even when time is scarce and reflection on current practices is not perceived as urgent. Our findings suggest that these microprocesses may be supported by an entrepreneurial attitude that allows internationalising firm managers to take stock of performance regularly and be prepared to act quickly when outcomes do not meet expectations. All too often, smaller firms embarking in rapid internationalisation do not have the time and resources to appraise their performance frequently. This may lead to inefficiencies that go on longer than is necessary, with a consequent waste of resources and sub-optimal returns, as well as leading to reduced opportunities for learning and adjustment of the firm's practices.

### *5.3. Limitations and future research*

Whilst our single setting has strong illustrative and exploratory power, all inferences stemming from it cannot be generalised to a wider population at this stage (Piekkari et al., 2009). Rather, the phases that we identify can be pattern matched to other contexts (Welch et al., 2011). The same applies to transferring the context specific notions of human capital requirements, internationalisation practices, and experiential knowledge in that there may be other firms also exhibiting PSF characteristics which have different business models and industry regularities, so that our findings might be transferred to these contexts with caution. Whilst the data collected through observation was real-time, the accounts provided by our interviewees about the internationalisation events were retrospective and their accounts might be prone to recall bias. We took steps to mitigate potential bias by triangulating accounts of each event from three different interviewees and focussed the interviews

on factual events in the internationalisation process which are less prone to hindsight bias (Bernstein et al., 2011).

The very purpose of our exploratory study is to provide insights that other scholars can draw on and explore further in the process of theory development. Hence, we encourage scholars to investigate the transferability of our insights and provide several promising avenues for future research. Firstly, we wonder whether the phases of developing, revising, and finalising of strategically important criteria apply in the experiential learning and adaption process of manufacturing firms and, if so, what specific factors evolve over time. Those firms have traditionally been associated with a slower pace of internationalisation (e.g., Bell et al., 2004) due to their high capital intensity, which in turn may hinder their ability to reconfigure fast and limit their ability to develop dynamic learning processes based on experience, critical reflection and adaptation.

Secondly, our findings strongly suggest that the effectiveness and reflexivity by which INVs manage their experiential learning enhances their speed of foreign expansion and survival. Incorporating insights from conceptual work on these topics (e.g., Jones & Casulli, 2014; Prashantam & Floyd, 2011, 2012), studies could engage in a deeper investigation of which particular microprocesses and managerial attitudes are conducive for effective experiential learning. How individuals make sense of their internationalisation experience to date and use it to revise criteria for future internationalisation calls for further investigation (Jones & Casulli, 2014).

Thirdly, in order to arrive at more generalisable conclusions, survey-based studies could examine the impact of learning forays into foreign markets—both their pace and scope—on internationalisation success, and how this relationship is contingent on the type of processes for internal knowledge dissemination and the founder's attitude towards setbacks, failures, and the uncertainty associated to complex, novel situations.

Fourthly, previous studies highlight the role of individuals for learning processes in PSFs (Lindsay et al., 2003; Mattsson, 2000), particularly their expertise and professional experience for knowledge evaluation and utilisation in the internationalisation process (Scott-Kennel & von Batenburg, 2012). We would welcome further empirical studies that investigate the impact of hired expertise on the

speed and success of experiential knowledge accumulation, and how this relationship is contingent on the boundedness of the founder's prior knowledge and the type of industry.

In conclusion, this paper offers insights into the dynamics and microprocesses of experiential learning of an INV in the professional service sector. Our findings illustrate how the venture learns and adapts its internationalisation practices by developing, revising, and finalising its human capital requirements. Key insights emerging from our study suggest that (1) *experiential learning is not automatic but requires deliberate and focused practices in place* and that (2) *setbacks are a necessary evil in the internationalisation process of INVs, providing valuable learning opportunities under bounded knowledge conditions*. These insights emerge from the fact that the firm devises an actively and closely monitored learning process aimed at selecting suitable human capital, supported by continuous reflection, critical evaluation, adjustment of criteria for its human capital requirements, acceptance to make mistakes, and ultimately adaptation of internationalisation practices shown not to be viable. These findings enhance our understanding of the dynamics of experiential learning in the internationalisation process of INVs, and provide valuable insights and implications for both academics and practitioners.

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