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# Developing brand identities for international new ventures under uncertainty: Decision-making logics and psychic distance

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## ABSTRACT

While many models describe efforts to build brand identity, none specifies the brand identity development for small firms facing uncertainty, such as rapidly internationalizing international new ventures. By examining four such case firms informed by interviews and archival data spanning five years, this study identifies three brand identity development states: unbranded, sporadically branded, and focused branded international new ventures. Brand values, brand personality, and brand relationships are critical brand identity dimensions that manifest in the three states. A related model and propositions help explicate how uncertainty owing to psychic distance moderates the impact of decision-making logics on brand identity development. We show how the role of decision-making logic affects the prominence given to different dimensions of brand identity in the developmental states. Moreover, we reveal the associated change and state mechanism allowing for the rapid advancement of brand identity states in international new ventures.

## 1. Introduction

International new ventures (INVs), that is, firms seeking competitive advantage from the use of resources and sales in multiple countries from inception (Oviatt & McDougall, 1994, p. 49) have become increasingly common. These firms operate in an uncertain environment and face several liabilities, such as smallness, foreignness, and newness (Zahra, 2005). An option available to INVs to respond to these challenges is to develop a strong brand identity (Aaker, 1996; Abimbola & Kocak, 2007; Kapferer, 2012; Keller, 2013).

Although prior studies have identified the importance of brand identity for traditional, gradually internationalizing firms (e.g., Aaker, 1996; Christmann, Alexander, & Wood, 2016; Keller, 2013), there is limited understanding of brand identity development within rapidly internationalizing INVs. Oviatt and McDougall (1994, 2005) suggest internationalization is considered rapid when a firm expands into foreign markets immediately or soon after inception, which has often been operationalized in terms of foreign sales accounting for a certain proportion of total sales in a short period following the foundation of the firm (Knight & Cavusgil, 2004; Zhou, Barnes, & Lu, 2010). As the number of INVs has increased greatly in the last few decades and they have become a trend of internationalization (Knight & Liesch, 2016), exploring the brand identity development of this particular type of firm

seems to have merit. As gradually internationalizing firms (see e.g., Johanson & Vahlne, 1977; 2009) differ from INV firms in terms of how they internationalize (see e.g., Acedo & Jones, 2007; Knight & Liesch, 2016), it is logical to assume that their approach to brand identity development will also differ.

Gradually internationalizing firms have more time to invest in brand development and it can thus take several years, and possibly decades for the brand to assume its full-fledged form (Townsend, Yenyurt, & Talay, 2009). Gradually internationalizing firms usually build a strong domestic brand position before expanding into foreign markets in stages that encompass building awareness in countries in close proximity to developing the brand in more distant markets as highlighted in the stage model of internationalization brand development (Cheng, Blankson, Wu, & Chen, 2005). For instance, McDonald's, the global fast-food chain established in 1948 in the USA, first expanded abroad to close neighbors Canada and Puerto Rico in 1967 after strong home positioning (McDonalds, 2020). Times have changed however and low-cost communication technology and transportation, and international experience have made it possible for new ventures to rapidly establish a presence on several continents where multinational corporations operate (Oviatt & McDougall, 1994). For instance, some new ventures have used crowd-funding platforms (Mollick, 2014) such as Idiegogo that has 10 million global visitors to establish an instant presence in international markets

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without previously having a strong home market position (Indiegogo, 2020). Hence, we assume that for INVs following rapid internationalization, brand identity development also proceeds rapidly, deviating from the traditional format. Therefore, it is very important to study how INVs rapidly develop their brand identity.

Branding studies examine the development of brand identity and its dimensions such as values, personality, relationship, vision, and mission (e.g., Aaker, 1996; de Chernatony, 1999; Kapferer, 1997). However, the literature does not explicate how these dimensions develop to become a strong identity when constrained by uncertainty. Nonetheless, uncertainty is a critical aspect of the context in which a manager operates (Vahlne & Johanson, 2017). A major external factor that can create uncertain conditions for the development of a brand identity in INVs is the psychic distance between the home country and the target markets. Perhaps surprisingly, this aspect has attracted barely any attention in the international branding literature. Psychic distance cements the disparities between two different countries (de Mooij & Hofstede, 2010; Dow & Larimo, 2009; Shenkar, 2001) and increases the uncertainty and challenges facing firms operating in foreign markets (Johanson & Vahlne, 1977; Ojala, 2015; Shenkar, 2001). For gradually internationalizing firms, addressing psychic distance has required incrementally accruing foreign market knowledge, amassing resources, and integrating and utilizing knowledge acquired over time (Johanson & Vahlne, 1977). However, overcoming such challenges can be quite daunting for INVs owing to their pursuit of rapid internationalization (Oviatt & McDougall, 1994) and the resource constraints they face (Zahra, 2005).

Effectuation theory, which portrays how entrepreneurs make decisions in both stable and uncertain environments can help understand how firms manage to successfully internationalize under conditions of uncertainty. Effectuation theory (Sarvasvathy, 2001) suggests organizations can overcome uncertainty by applying effectuation logic but advises they use causation logic when their environment is stable (Chandler, DeTienne, McKelvie, & Mumford, 2011). Accordingly, INVs need not necessarily undertake internationalization incrementally because the uncertainty that can arise from psychic distance (Johanson & Vahlne, 1977) can be countered by co-creating the future with relevant stakeholders and network partners (Read, Dew, Sarvasvathy, Song, & Wiltbank, 2009). Effectuation theory offers a route to examine the circumstances of particular decision-making logics in the brand identity development of INVs, especially under conditions of uncertainty owing to psychic distance. This is a process generally absent from existing international brand identity literature (see e.g., Altshuler & Tarnovskaya, 2010; Christmann et al., 2016; Korum, Gyrð-Jones, Zagir, & Brandis, 2017; Shi & Miles, 2020) and constitutes an important research gap in the current understanding of decision-making logic and the relationship between the brand identity development in INVs.

Accordingly, the research question underpinning this study is: How do decision-making logics shape INVs' brand identity development, and what is the influence of the perceived uncertainty owing to psychic distance? To address it, we ground this study on the psychic distance (Johanson & Vahlne, 1977; Sousa & Bradley, 2006) and decision-making logics (Sarvasvathy, 2001), brand identity theory, and the research into branding in early internationalizing firms. We conduct a multiple-case study to explore this research question. The current research contributes specifically to international branding and international entrepreneurship literature as summarized below.

The contribution of the current research to international branding literature stems from expanding the knowledge of the brand identity development of INVs by incorporating effectuation theory into the study. Through this approach, we show how decision-making logic informs the different dimensions of brand identity development, particularly in uncertain conditions. We also extend the understanding of the co-creation of brand identity (e.g., da Silveira, Lages, & Simões, 2013; Merz, Yi, & Vargo, 2009; Swaminathan, Sorescu, Steenkamp, O'Guinn, & Schmitt, 2020; Törmälä & Gryn-Jones, 2017), by specifying how

effectuation logic supports it. Furthermore, the study contributes to international entrepreneurship literature in addressing recent calls to extend investigations of the associated mechanism of how effectuation influences critical functions in firms (Read, Sarvasvathy, Dew, & Wiltbank, 2016; McKelvie, Chandler, DeTienne, & Johansson, 2020), such as branding and thereby contributes to the development of effectuation theory. Accordingly, the findings provide coping mechanisms such as the most effective and appropriate decision-making logic that explores and exploits opportunities to advance the development of the brand identity in psychically distant markets.

## 2. Theoretical background

### 2.1. Brand internationalization

International branding and business literature present firm internationalization as something aligned with different models/frameworks. The most frequently used, the Uppsala model, posits that internationalization progresses in "small steps, rather than by making large foreign production investments at single points in time...and that the time order of such establishments seems to be related to the psychic distance between the home and the host countries" (Johanson & Vahlne, 1977, p. 24). The small business growth stage models describe the developmental stages of small businesses as sequential and progressive (see e.g., Churchill & Lewis, 1983; Steinmetz, 1969). Influenced by these ideas, Cheng et al. (2005) constructed the stage model of internationalization brand development based on companies such as Samsung Electronics, LG Electronics, Daewoo Motors, and Hyundai Motors. The resulting model holds that the internationalization of brand development occurs in four progressive stages: 1) pre-international: corporate potential at-home market, 2) global lead market carrying capacity, 3) international branding and market succession and 4) local climax. Firms following the model initially build a strong home presence and image before moving into foreign markets (Cheng et al., 2005). Foreign expansion is based on leveraging home "power brands" in foreign markets (Douglas, 2001, p. 99). Moreover, gradually internationalizing firms have been found to re-evaluate their brand strategy each time they undertake a new foreign market entry based on the new knowledge acquired through experiential learning from foreign market expansion (Townsend et al., 2009). Literature examining INVs illustrates that these firms expand into foreign markets immediately or soon after inception and might not necessarily have a strong home market position or adhere to the sequential and progressive stages of internationalization (Oviatt & McDougall, 1994). Nevertheless, branding may play an important role for INVs in reducing customer uncertainty and thus can accelerate foreign market expansion (Efrat & Asseraf, 2019). An INV may not be able to wait for home market success before foreign expansion (Oviatt & McDougall, 1994). There is compelling evidence that the brand development of INVs differs from that of counterparts following the traditional internationalization route. Some rare existing studies on the branding of rapidly internationalizing firms have focused on the importance of the standardization of their brands (Gabrielsson, 2005), but the development of their brand identity has not yet been studied. Insight into this phenomenon stands to inform international branding scholars and practitioners about the dynamism and changing patterns of the business environment that nurtures the rapidity of brand identity development in international markets.

### 2.2. Brand identity elements

Brand identity summarizes what it is the brand represents and also establishes a brand relationship, formed through the repeated interaction with customers (Keller, 2013). Branding literature elaborates on the various dimensions that combine to form a brand identity, although the focus has been on the following: brand values (de Chernatony, 1999; Kapferer, 1997; Urde, 2003; Witt & Rode, 2005), personality (Aaker,

1996; de Chernatony, 1999; Kapferer, 1997; Upshaw, 1995; Urde, 2003), and relationship (de Chernatony, 1999; Kapferer, 1997; Keller, 2013; Upshaw, 1995; Urde, 2003). In addition to these frequently analyzed dimensions, others such as product, elaboration, and presentation have been identified; however, their relevance as brand identity dimensions has been questioned. Moreover, accepting the influence of dimensions such as self-image and reflection (Kapferer, 1997) seems to run counter to generally accepted views on the input of brand identity (see, Coleman, de Chernatony, & Christodoulides, 2011 for a detailed discussion). Consequently, we focus on the most common dimensions of brand identity found in the branding literature: the values, personality, and relationship attached to a brand. These dimensions have to date received limited attention in the international branding literature, and none in INV studies.

*Brand values* are “all-embracing terms that sum up the identity of the brand as well as being the guiding principles for all internal and external brand-building processes” (Urde, 2003:1035). They guide product development, behavior, communication (Kapferer, 1997; Urde, 2003), and the physical appearance of the point of sale (e.g., employee uniforms and interior colorways) (Keller, 2013). Brand values can be represented by a brand mantra or slogan of three to five words that illuminate the meaning or character of the brand (Keller, 2013). Different terms such as brand essence (Aaker & Joachimstahler, 2000), core values (Urde, 2003), and brand culture (de Chernatony, 1999) are used to refer to this concept of brand values.

*Brand personality* represents the “set of human characteristics associated with a brand” (Aaker, 1997: 347). Accordingly, human traits are reflected in brand personality (Davies, Rojas-Méndez, Whelan, Mete, & Loo, 2018). Consumers choose brands that resemble their personality (e.g., Azoulay & Kapferer, 2003; Geuens, Weijters, & De Wulf, 2009; Sung & Tinkham, 2005), such that they use the identity of the brand to reflect their self-identity (Aaker, 1997). Therefore, the brand’s personality is fundamental to its identity (Aaker, 1996), and various benefits can flow from an appropriate brand personality (Aaker & Joachimstahler, 2000; Sung & Kim, 2010).

Finally, a *brand relationship* results from various encounters between consumers and the brand (Fournier, 1998). As the highest form of commitment by consumers to the brand, it evokes intensity and involvement with the brand, extending customers’ behavioral loyalty, attitudinal attachments, sense of community, and active engagement (e.g., participation in brand-specific blogs and chatrooms) (Keller, 2016). A genuine brand relationship should feature interdependencies between the parties involved, in which those parties should have the capacity to influence, define, and redefine (Fournier, 1998). Modern brand relationships also rely on cost-effective communication channels such as YouTube, Facebook, and Twitter (Christodoulides, 2009), which may be particularly useful for INVs with their limited resources to communicate, create brand awareness, and secure customer commitment.

## 2.3. Decision-making logics

### 2.3.1. Effectuation logic

Effectuation logic involves an organization starting from the available means and selecting the effects that can be created with that set of means (Sarvasvathy, 2001, p. 245). It is underpinned by four major principles. First, it requires applying the available *means* to induce effects that cannot be predicted in advance. Entrepreneurs might imagine possible courses of action, reflecting available means, which relate to what they stand for, prior knowledge, and networks (Sarvasvathy, 2001). When combined, such means are important starting points for INV entrepreneurs seeking to build a brand identity.

Second, the environment is endogenous to the actions of the effectuator requiring *co-creation* activities with network partners and other stakeholders (Read et al., 2009). This might benefit INVs seeking to communicate the essence of the brand to various stakeholders, to create awareness, to acquire legitimacy, and to secure customer commitment.

Third, effectual processes build networks of partners that are fundamental to resource expansion (Chandler et al., 2011; Kerr & Coviello, 2019). Rapidly internationalizing firms *leverage contingencies* through their networks to obtain immediate market access, exploit existing distribution facilities, and establish their initial credibility (Coviello & Munro, 1995). Therefore, the development of brand identity in an INV should benefit from networking, which can establish legitimacy, increase brand awareness, and enhance the brand relationship.

Fourth, the *affordable loss* principle requires financial commitments never exceed the threshold at which the loss is tolerable (Sarvasvathy, 2001), however, we do not know how this principle is applied by INVs in their branding decisions.

### 2.3.2. Causation logic

In contrast, *causal decision-making* establishes the desired effects in advance, then selects means that will be required to deliver them (Sarvasvathy, 2001, p. 245). When decision-makers are embedded in foreign markets, they become acquainted with planning systems, gather market intelligence, and build operational routines. Consequently, they can conduct proper market (data) analysis, predict the future, establish goals and plans for brand identity development to avoid potential surprises because surprises are generally perceived negatively (Sarvasvathy, 2001; Wiltbank, Read, Dew, & Sarvasvathy, 2009). This logic parallels a planned strategy and predictive ideology (Hauser, Eggers, & Guldenberg, 2020; Mintzberg, 1978), as is it found embedded in rational thinking (Chandler et al., 2011; Stigler, 1952). The central tenet of rational thinking is that once the future or environment is predictable, it can be controlled (Read et al., 2009).

We believe that owing to the differences in decision-making logic, effectuation and causation apply under different conditions and might have different effects on the brand identity sub-dimensions.

## 2.4. Psychic distance

Psychic distance is defined in this study as comprising the “factors that make it difficult to understand foreign environments” (Johanson & Vahlne, 2009, p. 1412). It can be experienced from and through differences in language, education, business practices, culture, industrial development, and government structure (Johanson & Vahlne, 1977; Sousa & Bradley, 2006). It plays a meaningful role in firms’ internationalization. Studies report decisions on foreign expansion, brand selection, and purchases are strongly affected by country differences such as culture (e.g., Alden, Steenkamp, & Batra, 1999; Kim & Moon, 2021; Westjohn, Singh, & Magnusson, 2012; Xie, Batra, & Peng, 2015); and economy (e.g., Yenyurt, Townsend, & Talay, 2007). Prior research has to a large extent used country-level scores to calculate psychic distance measures (e.g., Brewer, 2007), however, research has also suggested that the perception of an individual is the more relevant factor in determining the psychic distance (e.g., Evans & Mavondo, 2002; Zhao, Luo, & Suh, 2004). Therefore, psychic distance is a feature rooted in a person’s mind that then affects how they perceive the world (Sousa & Bradley, 2006). Accordingly, managerial decision-making about international business in terms of psychic distance is influenced by the perceptual cognition of the manager concerned (Dow & Larimo, 2009). We follow this last line of thought and consider perceived uncertainty, attributable to the psychic distance of the entrepreneur, may interfere in decisions on the development of an INV’s brand identity by limiting the ability to learn and forecast key elements in foreign countries.

## 3. Research methodology

Influenced by the lack of studies focusing on INV firms’ branding decisions in conditions of uncertainty, we adopted a qualitative study approach (Miles, 1979). Specifically, we conducted an explanatory study (Eisenhardt & Graebner, 2007; Yin, 2009). The current study can be seen as process research (Pettigrew, 1992), through which we seek to

understand the changes in decision-making logic and how they influence the international brand identity state and possible feedback loops to the decision-making logic. The current study therefore answers the recent call to follow process-based research to provide an explanation of the firms internationalization process (Vahlne & Johanson, 2020).

The current research studies longitudinal phenomena by combining both real-time and retrospective perspectives (see, Van de Ven, 1992). It adopts a multiple-case approach to address *how* and *why* questions (Ghauri & Grønhaug, 2005) and to advance the development of theory (Yin, 2009). This design also provides a logical replication that strengthens the credibility of the findings (Yin, 2009). We rely on personal narratives and follow Riessman's (1993) guidelines.

### 3.1. Case firm selection process and background information on selected INVs

We used multiple sources (e.g., the Fonecta database and the Start-Up 100 list) that describe Finnish start-up firms to identify cases that met several selection criteria. First, the firms had to be INVs operationalized as deriving 25 % of their total sales from abroad within three years of their founding (Knight & Cavusgil, 2004; Yang & Gabrielsson, 2017; Zhou et al., 2010). Second, the firms had to be developing their brands. Third, the firms had to have a B2C orientation to differentiate the sample from most prior INV research. Fourth, the firms should originate in small but open economies (SMOPEC), to ensure we expanded the research scope beyond globally renowned brands from large countries that have dominated prior research. Specifically, we selected INVs from Finland.

We applied a theoretical sampling logic (Yin, 2009) to ensure that we would acquire deep insights into the complex associations and logics within constructs (Eisenhardt & Graebner, 2007). Accordingly, we had firms that operated mainly in the Nordic countries but also firms that operated in distant foreign markets (e.g., the Middle East, Japan, the USA, and Canada), providing sufficient variation in perceived uncertainty owing to psychic distance.

Our initial search produced 20 potential cases. We contacted the firms by telephone and asked whether the entrepreneurs were currently engaged in activities to develop their brand identity and awareness in international markets, 10 said yes and were considered eligible but only four agreed to participate in the study. During our data collection, we recognized saturation in the identified findings, so additional cases were unlikely to add further insight (Bryman & Bell, 2015) and a four-case sample is consistent with other studies on internationalization in small firms (e.g., Muzychenko & Liesch, 2015; Rialp, Rialp, Urbano, & Vailant, 2005). Sample variation (Patton, 1990) was ensured by selecting firms from different industry backgrounds (Table 1). Disparity was limited because all the firms are INVs operating in B2C sectors (Eisenhardt, 1989).

The case firms operate in different fields ranging from drinkable meals (Ambronite), fashion (FatCloth), wearable technology (Moodmetric) to homewares, and pet products (Magisso). All firms had a global

vision at birth and their share of international sales from total sales was 50 % or more by the third year of operation (see Table 1).

### 3.2. Interview format

We conducted the interviews in three stages over five years (2015–2020). We started with face-to-face interviews in 2015 with one knowledgeable informant in each firm (Neuman, 2005). This informant was identified from the firms' website and had to be either the CEO/founder or a co-founder with brand responsibilities. We utilized a semi-structured questionnaire, which made it possible to adapt the interviews flexibly and use probing tactics to acquire insights or seek clarification (Bryman & Bell, 2015). In the second stage, we relied on snowball sampling to identify different informants from the same firms through referrals from the first-stage interview participants (see e.g., Homburg, Jozié, & Kuehnl, 2017). These new informants included marketing managers, co-founders, and managers with branding responsibility (see Table 2) who were interviewed during the period 2015–2017.

The third stage of interviews was conducted with the initial informants (i.e., CEO/founder and/or co-founders with brand responsibilities) and informants who participated in the second stage during 2020 to allow sufficient time for the case INVs to have developed through the various stages anticipated. We investigate the associated activities, changes, configurations, and driving forces that moved the firms across different developmental brand states. We asked the same questions across the stages but also ensured the questions were sufficiently open to allow for new information on the firm's development to emerge. The interviews took place in the participants' offices, which offered an opportunity to observe the firms' marketing materials, packaging, and products.

Each case firm was interviewed three to five times during this period producing a total of 16 interviews. In each firm, we interviewed the same person (and sometimes more than one) on at least two different occasions, but in many cases at three points in time in a five-year period (see Table 2), a process that at least partially satisfies the requirements of a real-time study (Hassett & Paavilainen-Mäntymäki, 2013). We recognize the fact that we could not interview the firm founders at the point their firms were established as a limitation; nevertheless, we could observe the change in decision-making logic and see the consequent change in the brand state in each case, which is a crucial aspect of our research. Brand identity development changed rather quickly in the studied INVs compared to more traditional firms. We dealt with the limitations relating to the length of the observed period by conducting retrospective longitudinal research by asking our participants about events since the foundation of the firm. Consequently, this study utilizes process research methods including features of at least partial time-based research combined with retrospective longitudinal research (Hassett & Paavilainen-Mäntymäki, 2013). All the interviews were audiotaped and transcribed to a databank to guarantee the study's reliability.

To ensure our material extended beyond interview data, we collected documents provided by the entrepreneurs, owner-managers, and/or

**Table 1**  
Background of the B2C international new venture case firms.

	Ambronite	FatCloth	Moodmetric	Magisso
Business field	Drinkable Meal	Fashion (Clothing)	Wearable (Ring) Technology	Homewares, hospitality & pet products
Business vision	Global at birth	Global at birth	Global at birth	Global at birth
Established	2013	2012	2013	2008
Year of first export	2013	2012	2013	2008
Extent of internationalization by 3 <sup>rd</sup> year after inception	60 % (2016)	50 % (2015)	50 % (2016)	70 % (2013)
Size				–
Net sales (€): 2019	464,000	25,000	121,000	2.1M
2018	508,000	31,000	104,000	1.8M
2017	815,000	54,000	98,000	1.8M
2016	671,000	38,000	26,000	1.7M
No of Employees (year)	6(2018)	4(2018)	4(2018)	11(2018)



**Table 2**

Interviewees' background and additional secondary data sources.

Case firm	Interview number	Year of interview	Person interviewed	Interview time covered	Format of Interview	No. of interview transcribed pages (1.5 spacing)	Secondary data source
Ambronite	1	2015	Co-founder (A1)	1 h 15min	Face-to-face	30p	Information booklet, website (e.g., blog on new packaging, brand line extension – banana, apple flavors, Ambronite V5; healthy tidbits), media reports (e.g., interviews, articles), internal culture manual.
	2	2016	Co-founder/Marketing Responsible for Branding (A2)	1 h 24 min	Skype	34p	
	3	2020	Co-founder/Marketing Responsible for Branding (A2)	55 min	Skype	25p	
FatCloth	1	2015	CEO/founder/Brand Responsibilities (F1)	2 h 3min	Face-to-face	35p	Website, media reports, social media (e.g., Hasselhoff Instagram post: Loving my @fatcloth!!), annual reports, internal branding blueprint.
	2	2016	CEO/founder/Brand Responsibilities (F1)	1 h 40min	Face-to-face	25p	
	3	2017	Co-founder (F2)	1 h	Face-to-face	14p	
	4	2020	CEO/founder/Brand Responsibilities(F1)	1 h 5min	Telephone	17p	
Magisso	1	2015	Co-founder/CEO (M1)	2 h 20min	Face-to-face	31p	Marketing brochure, own website, internal branding blueprint, media report (e.g., CNN, Wired, New York Times, Tokyo TV) social media (e.g., YouTube videos on various brands; Facebook post on customer comments/ feedback) and annual reports.
	2	2015	Co-founder/In charge of brand development (M2)	1 h 30min	Face-to-face	22p	
	3	2017	Co-founder/CEO (M1)	1 h	Face-to-face	10p	
	4	2017	Co-founder/In charge of brand development (M2)	1 h 30min	Face-to-face	20p	
	5	2020	Co-founder/In charge of brand development (M2)	48min	Telephone	15p	
Moodmetric	1	2015	CEO /Entrepreneur (MO1)	1 h 30min	Face-to-face	31p	Website, media, and annual reports.
	2	2017	CEO/ Entrepreneurs (MO1)	40 min	Telephone	20p	
	3	2017	Chief Operating Officer (MO2)	30min	Telephone	12p	
	4	2020	CEO/ Entrepreneur (MO1)	1 h 5min	Skype	25p	

founders that included internal materials such as branding strategy bluebooks, newsletters (via researcher subscription), public domain documents (e.g., news reports and press releases) gathered from various media houses (e.g., *Wired*, *CNN*), financial information via Finder.fi, and the firms' marketing materials (Table 2). The wealth of documentation helped counter any potential recall bias among the study participants. We also followed the case firms' websites and social media pages, starting from the time of the first round of interviews, to observe social interactions. The documents provide insights into the running history of changing phases, or new branding activities over a certain period (Pondy, 1983; Sonenshein, 2010).

### 3.3. Data analysis

Using an embedded design, we performed both firm- and entrepreneur-level analyses, which reflected our explanation-building logic and pattern matching goals and also increased validity (Gibbert, Ruigrok, & Wicki, 2008; Yin, 2009). At the firm level, we sought to understand how each firm engaged in the development of its brand identity; at the entrepreneur level, we learned how entrepreneurs make branding decisions under uncertainty (Sarvasvathy, 2001). Using an iterative process and replication logic, we analyzed a single case firm, then compared the findings with case reports from other case firms (Eisenhardt & Graebner, 2007), continuing that process until we reached theoretical saturation and established support for the feasibility of our theoretical framework and propositions (Bryman & Bell, 2015).

### 3.4. Coding procedure

We followed three coding sequences: open, axial, and selective (Strauss & Corbin, 1990) (Fig. 1). We initially defined and segmented

narratives about particular events related to brand identity and its development, as well as decision-making and uncertainty, owing to psychic distance into fragments of meaningful statements that produced a single word order – short sequences of words (Flick, 2009, p. 307). Next, we sought patterns of association among the categories, including their causality, actions, and consequences, to define the axial codes (Strauss & Corbin, 1990). From the main categories generated by the axial codes, we selectively coded the narratives that appeared to be associated with these central categories in an iterative process. Applying an abduction logic, we moved back and forth across the theoretical framework, empirical data, and case analysis to ensure the research question was fully answered (Dubois & Gadde, 2002).

### 3.5. Trustworthiness

To validate our interpretation of the narratives, we applied persuasiveness, correspondence, coherence, and pragmatic use standards (Riessman, 1993). Persuasiveness is achieved by citing the narratives from the participants' accounts to support our emerging theoretical framework (Fig. 2). With regard to correspondence, we followed the guidelines for respondent validation (Silverman & Marvasti, 2008) and member checks (Lincoln & Guba, 1985), which involved sending transcripts of our summaries of the participants' narratives, our interpretation of the phenomena, and the theoretical framework to the participants and requesting feedback (Riessman, 1993). We also presented preliminary results at three international conferences and two doctoral seminars, feedback from which helped refine the findings (see Homburg et al., 2017). As a quality check, consistent with the work of Homburg et al. (2017), for instance, we attempted to refute the associations that we anticipated among the diverse case firms from the different industries (Silverman & Marvasti, 2008). The findings remained largely consistent

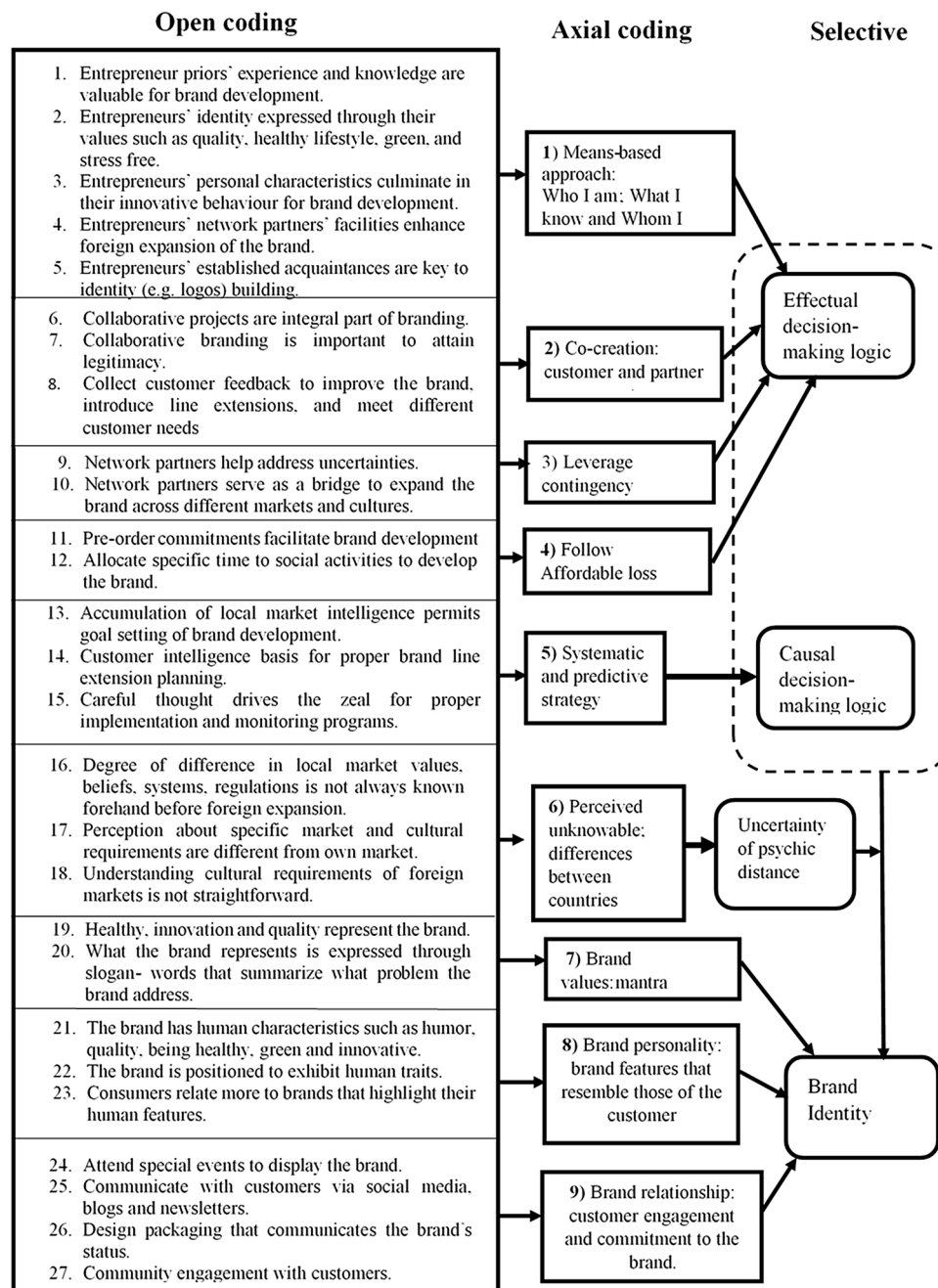


Fig. 1. Narratives and data structure.

across firms and industries. The secondary data (Table 2) provide triangulation too, which improves the credibility of the findings (Lincoln & Guba, 1985; Riessman, 1993). Concerning coherence, we adopted Agar and Hobbs's (1982) coherence classifications: global (relating to the participants' purpose in telling the story), local (comprising outcome and relationship), and thematic (being recurrent commonalities in themes). Because our analysis explicitly centers on the participants' shared decision-making experience and its consequences (Agar & Hobbs, 1982; Riessman, 1993), we achieve global and local coherence; the reoccurrences of common themes also indicate thematic coherence (Agar & Hobbs, 1982). Finally, to ensure pragmatic use, the study must provide a foundation for further studies, so we describe our interpretation procedure and evidence in detail (Riessman, 1993).

#### 4. Cross-case analysis and proposition development

Based on the cross-case analysis and guided by earlier internationalization process models presented by Johanson and Vahlne (1977, 2009), Vahlne and Johanson (2017), the INV model (Oviatt & McDougall, 1994), effectuation theory (Sarasvathy, 2001), and brand identity theory (e.g., Aaker, 1996), we developed a dynamic model (see Fig. 2) to illustrate the developmental states of the brand identity of firms as determined by entrepreneurs' decision-making logics and the moderating effect of perceived uncertainty owing to psychic distance. Next, we will recount the development of the model in detail and start by identifying the brand identity development states. We then illuminate the development of propositions on how decision-making logics relate to the different brand identity development states and the moderating effect of uncertainty on the relationship between decision-making logics and those brand identity development states.

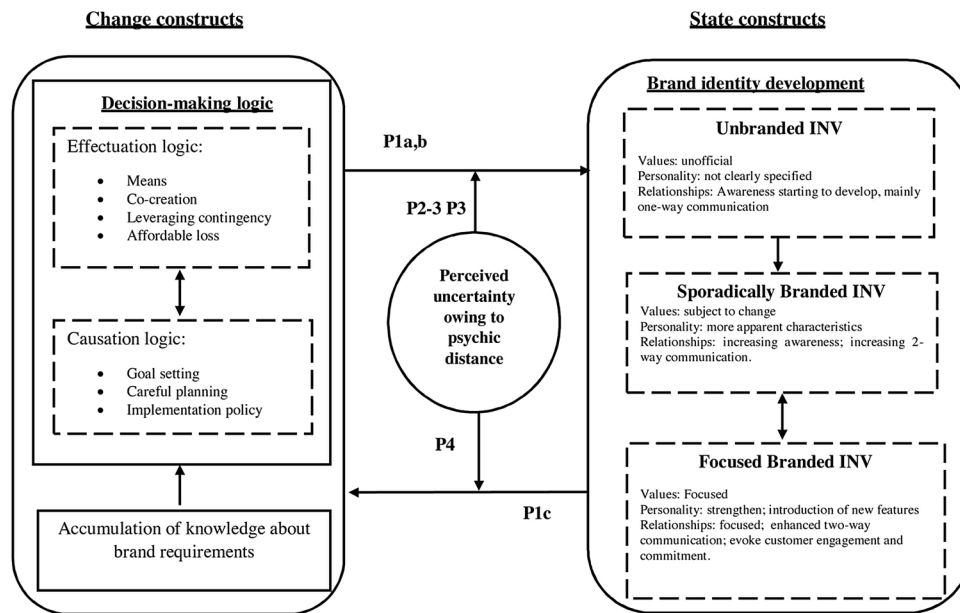


Fig. 2. A dynamic model for decision-making logic in the brand identity development of INVs and the moderating influence of uncertainty owing to psychic distance.

#### 4.1. INV brand identity development states

The firm-level analysis of the data confirms three brand identity states (Table 3). We also found that the three predicted dimensions—brand values, personality, and relationship—are fundamental to INVs' brand identity development.

##### 4.1.1. The unbranded international new venture state

At its inception an INV will operate in an *unbranded international new venture state* focusing on innovative ideas, prospective product development, and venture creation. Accordingly, the firm's brand identity is not well defined (Törmälä & Gryn-Jones, 2017), and brand values are at best discussed informally, as described by an Ambronite representative: "Definitely nothing [planned]; it was just solving healthy eating issues for busy eaters like ourselves, and I think that's the success story behind many companies." (A1, Ambronite).

We also found little evidence of brand personality characteristics, and the brand relationship was very weak at this stage, owing to the lack of brand awareness that is required to establish a strong customer relationship (Keller, 2016). Nevertheless, the firms started to acquire some brand awareness by participating in social events such as Restaurant Day (Ambronite) or through social media (FatCloth) at this stage of the branding process. The firms' communication tended to be mainly one-way, that is, from firm to customer.

##### 4.1.2. The sporadically branded international new venture state

Despite being critical to growth and survival, branding activities necessarily involve some trial and error to determine workable options (Shi & Miles, 2020). It was while their branding was in this sporadic state that all the case firms established and launched their first brand; three firms used a corporate brand name in all countries while Moodmetric differentiated its product name from its company name. The firms' formulated brand mantras (values), which are, however, subject to change and moderately weak (or inconsistent). For example, FatCloth leveraged several mantras concurrently, Moodmetric issued new mantras after changes in its brand focus, and Magisso assigned different mantras to various brand line extensions and firm growth patterns; as a representative explains, "I think it [the mantra] has evolved with the company's growth and change in focus." (M1, Magisso).

Brand personality characteristics also became more apparent (i.e., moderately strong); and particular traits reflected specific markets.

Magisso, for example, found environmental friendliness resonated well with Taiwanese customers and highlighted that trait more in that particular market. Overall, the brand personality characteristics start to emphasize the nature of the innovation associated with the brand, such as FatCloth's view that: "The brand personality was created around a caricature of a "heavy set businessman" who wipes the sweat off his forehead while rushing to a meeting... who is determined and confident, but who does not take himself too seriously." (F1, FatCloth)

The evolution of a brand relationship is characterized by increasing brand awareness and two-way communication. In generating brand awareness, the case firms communicated through several low-cost channels. Technology-based channels, including social media, internet shops, and their websites are preferable, because "you can reach out to the world easily" (A1, Ambronite). Firms also attend trade shows and other events. Bricks-and-mortar retailers, distributors, and sales agents establish points of sale and brand awareness (e.g., Ambronite, FatCloth, and Magisso). At the same time, media coverage expands and can become global. Ambronite, for instance, secured a mention in a Forbes article that included the passage: "The (organic) liquid makes its debut... mix a package of Ambronite with a pint of liquid or some fruit, drink it down you're done. No major clean up or cooking time required" (Kanellos, Forbes Contributor, 2014). During this stage, two-way communication increasingly occurs between customers and firms through customer feedback via tradeshow and social media, for example; an expansion that has positive consequences for the brand relationship (Fraccastoro, Gabrielsson, & Chetty, 2021). The following comment by Magisso highlights this: "One of the biggest expenses we have for brand building is trade shows and of course, [we get meaningful feedback]. For instance, we met some Germany buyers [at a trade exhibition] and they said 'oh this is a perfect sucker set', we [took their comments about the sucker and language on board] so we rebranded part of [the] packaging [for their market]" (M1, Magisso).

##### 4.1.3. Focused branded international new venture state

The final state signals a strategic orientation toward brand management, achieved through careful consideration, restructuring, and implementation of decisions consistent with an organizational configuration - thus, all activities and actions occurred in tandem (Meyer, Tsui, & Hinings, 1993). The case firms sought to exploit opportunities through collaboration, obtain adequate resources to support further development, participate in specialized events (Ambronite, Magisso,

**Table 3**

Brand identity development states of B2C International New Venture case firms.

Firms	Brand Identity dimensions	Unbranded International New Venture	State development Sporadically Branded International New Venture	Focused Branded International New Venture
Ambronite		- Product idea conceived and deliberation on company formation by entrepreneurs (May 2013).	- Established firm with name “Ambro” (late 2013).	- Rebranding: “Ambronite” as a new corporate brand strategy (2014).
	Values	- To develop the world’s first 100 % organic drinkable meal (mid-2013) key vision.	- Mantra: “Live life to the fullest” (late 2013).	- Internal company culture constituted (2015).
	Personality	- No defined personality features at inception.	- Main characteristics: healthy, ambitious, natural, peaceful, calm, and adventurous.	- Unchanged but strengthened.
	Relationship	- Participated in Restaurant Day to sell the first prepared version (May 2013). - Beta participants for feedback (Jul. 2013).	- First official version launched by entrepreneurs at SLUSH (Nov. 2013). - Global media coverage (2013-date). - First packaging: brown with a green label (2013). - Website and web shop launched (2013). - Foreign expansion (e.g., USA, Germany, UK in 2013). - Crowdfunding campaign in the USA (June 2014). - Adapted marketing material to the local language. - Initiatives during COVID-19 pandemic: Brand line extension - Complete Plant Protein (Mar 2020) and new ad campaign: Remote work survival deals.	- Brand line extension (2014) to date. - Participation in selected specialist events (2014 to date). - Obtained first customer re-orders intelligence (May 2015). - Subscription launched (Jul 2015). - Second round crowdfunding secures \$600,000 (Sept 2015). - New packaging- all “green” (2014) and improved to premium status (2016/2017); new font style and type (2020).
FatCloth		- Firm established in 2012 using the corporate brand strategy with B2C inclined.	- First Collection (Originals) launched (Aug. 2012). - Brand line extension (2013, 2020). - Brand manual drafted (2013).	- Brand manual revised (2016).
	Values	- No written values at inception. - Guided by innovative use of pocket square (2012).	- “It’s more than a pocket” and “square with a purpose” mantras developed and used interchangeably (2013).	- “It’s more than a pocket square” mantra predominantly used.
	Personality	- No personality features defined (2012). - -Vincent character in existence (2012).	- Characteristics: “Calm, confident, classically stylish, trustworthy, humor” (Jul. 2013).	- Extended features: Rugged, coarse (Jun. 2016).
	Relationship	- Social media (2012-date). - Newsletters (2012-date). - Website launched (Aug. 2012). - Packaging: Brown with a white inside (2012). - Paid Google AdWord commences (2012-date). - Weak brand-customer relationship.	- Major website upgrade (July 2013) and minor tweaks intermittently to date. - New packaging: all brown with Vincent usage imagery (2013). - Point of sale: brick and mortar (local, Stockmann) with in-store displays and posters (2013 to date); Budin, New York, USA (2013–2016); retailers in Japan (2018). - Custom made projects and Corporate gifts (June 2013). - Celebrity endorsement: EL Crew (2014) and David Hasselhoff (2015). - Collaboration branding with Makia – 2015/2016 - Co-branding project-(licensing deal) - with Moomin (2017/2018) as an expansion strategy to foreign markets (e.g., South Korea); Tom of Finland (2020).	- Brand line extensions are categorized into three collections based on price (2015). - Further foreign expansion (online distributors): Poland (2015–2016), Germany (2016-date), France (2017 to date). - Paid Instagram advert (2016 to date). - New packaging: Drop-shaped hole for Black-line, Seasonal collection (2015) and - Detailed retailer information guide introduced (2017). - Adapt marketing material to the local language (e.g., South Korean) by partners.
Magisso		- Established in 2008 with B2B-C focus and corporate brand strategy.	- Adopted sub-branding (line extension) strategy (2010). - Shifted toward individual brand collections.	- Fully adopted a corporate branding strategy. - Brand manual written (2016).
	Values	- No well-defined values but entrepreneurs emphasize “solving problems” as the firm’s vision.	- Brand mantra (values)- “Innovating Your Home” constructed (2009). - Continuous change of mantra in consistent with new line extension (2010–2017).	- New mantra: “Magical inventions from Finland” (2018).
	Personality	- No personality characteristics were outlined at the beginning (2008).	- Personality features associated with the brand: environmental friendliness, innovation, and homeliness (2009–2011).	- Smart, trustworthy, and easy-going personality traits emerged later.
	Relationship	- Absence of brand awareness at the beginning. - Lack of brand/customer relationship (2008).	- Foreign expansion to Holland and Canada (2009) via distributors; Germany-sales agents. - Social media: YouTube (abandoned later) and Facebook (2009) - Free global media coverage – e.g., CNN, Wired, and New York Times (2009-date). - Key account and sales representatives established in USA (2011). - Engaged with corporate gifts. - Foreign market distributors (e.g., Japan) handle marketing materials. - Feb. 2017: Brand collaboration with Davids Tea (Canada); Lenox square, California (USA).	- Brand re-positioned to up-market status and sold only in luxury stores (2013). - Retailers’ floor staff training for quality customer service (2013–2016). - Instagram account created (2015). - New packaging (2016). - Website updated (2015 & 2018). - Nov. 2017: Return to YouTube as a media channel. - Expansion to the Far East and Europe (2013–2017) through wholesalers/importers (e.g., Japan).

(continued on next page)



Table 3 (continued)

Firms	Brand Identity dimensions	Unbranded International New Venture	State development Sporadically Branded International New Venture	Focused Branded International New Venture
Moodmetrics			- New Global Sourcing Program (PRO) for COVID-19 PPE supplies (April 2020).	- Further expansion to the North American market that offers credibility, create visibility and awareness courtesy of Davids Tea collaboration (2018-to-date).
		- Idea conception; first prototype and App developed (2011) but no brand name.	- Established “Vigofere” with a B2C focus (2013).	- Own web shop introduced (2019/ 2020).
	Values	- People to understand their emotions and that of others.	- Mantra: “Master Your Mind” constructed (2014).	- “Moodmetrics” used as a brand dominant strategy (2014-date).
	Personality	- Undefined at beginning.	- Features: “emotional, intelligence, scientific, accurate” transpired by 2015.	- Figuring to rebrand (2017-date).
	Relationship	- No awareness at inception.	- Mobile app on AppStore; compatible with iOS (2013 to date).	- Concentrates on B2B customers (2018).
		- Absence of brand-customer relationship in the beginning.	- Ring in Black, White and Pink colors (2013).	- New mantra: “Manage Stress Better” (2016).
			- Black packaging (2013).	- Unchanged.
			- Exhibitions/Job fairs (2014 to date).	- New packaging (2015).
			- Social media (2013-date).	- Customer User Guide introduced (2015).
			- Appearance in international media (2014–2016).	- Only black color offered (2016–2017).
			- Online training facilities in line with COVID – 19 prevention initiative (April 2020).	- Own web shop launched (2016).
				- Mobile app extended to Android systems; available Google Play (2017-date).
				- Three new colors with coating added (Fall 2017).
				- Option to include own diary notes and calendar on MobApp (2017-date).
				- More customer intelligence.

Moodmetric), and promote the brand. Firms also started to introduce an improved descriptions and guidelines for their brands (FatCloth, Magisso, Ambronite) or user guides for their products and mobile apps (Moodmetric).

As the brand relationships were strengthened, new mantras were introduced by Magisso, Moodmetric, and FatCloth. Only Ambronite’s mantra remained unchanged. In turn, brand personality dimensions remained largely unchanged for two firms (Moodmetric and Ambronite) but were strengthened by the introduction of new features for the other two, Magisso and FatCloth.

We also noted some intense repositioning, seeking a more upscale status (Magisso) or shifting from the mood monitoring aspect to highlighting more on the stress monitoring and management capabilities of the wearable technological ring (Moodmetric), repositioning that was signaled by new packaging, collaborative branding, line extensions (all firms), or rebranding initiatives (Ambronite). Such efforts can establish a holistic and focused brand development structure, which strengthens brand relationships through brand awareness and customer commitment. The following explanation of the need for rebranding clarifies this point: “We started with the name Ambro, but we changed that in 2014 into Ambronite ... many entrepreneurs had used that name [Ambro]...we wanted basically to be unique and to also avoid any potential mixing into other brands.” (A2, Ambronite)

The firms enhance their two-way communication through special events, such as an annual start-up fair (e.g., SLUSH) in Helsinki, Finland, which attracts founders and investors from around the world (Ambronite and Moodmetric), also employing well-trained staff who provide excellent customer service and gather intelligence (Magisso). All the firms rely on social media to secure customer engagement and commitment to the brand and to strengthen the brand relationship (Li, Larimo, & Leonidou, 2021). FatCloth for instance, benefited from free celebrity endorsement spontaneously, as one of their Instagram posts reads: “Loving my @fatcloth!! brings the whole suit together Thanks #fatcloth” (Hasselhoff, 2014, American actor).

The above case analysis reveals that INVs develop their brand identities through three states, going from being an unbranded INV, to a sporadically branded INV, and then a focused branded INV. Each state includes a different configuration of the three critical dimensions of brand identity: brand values, personality, and relationship.

#### 4.2. Relationships between decision-making logic and brand identity development

Continuing the cross-case analysis, we move on to explore how decision-making logic affects the development of the above brand identity states. We could see that entrepreneurs’ use of effectual logic, characterized by the exploitation of available means, co-creation, affordable loss, and contingencies, affects the brand identity development as it moves toward a sporadically branded INV state (see Web Appendix).<sup>1</sup> By depending, for example, on means instead of ends (goals) (Sarasvathy, Kumar, York, & Bhagavatula, 2014), entrepreneurs remain receptive to fresh prospects and acquire confidence in their capabilities when determining their firm’s brand identity and developing it. The respondents describe how their means, particularly the personal identity of the entrepreneurs, their previous experience, and network greatly influenced the development of the firm’s brand identity as it moved from being an unbranded INV toward being a sporadically branded INV. For instance, one of the founders explained that his personal identity traits drove him to “...question the status quo of what is happening currently within the food industry,” which affected his firm’s brand identity and resulted in “...creating [brands] that are only made of real foods and don’t have preservatives, artificial nasty stuff, or unhealthy ingredients [but that] have a long shelf life.” (A2, Ambronite). The entrepreneur’s previous experience was also a means that provided a vital impetus for the brand identity development toward a more advanced state. An entrepreneur explained this point: “I have been able to use all the...knowledge I have gained in branding [other brands] for this brand” (F1, FatCloth). Moreover, a founder commented on his role in decision-making on leveraging a network contact to shift the firm’s brand identity development from being in an unbranded state toward being in a sporadically branded INV state: “the person in charge of that

<sup>1</sup> Our data showed that the two decision-making logics, effectuation and causation should not be seen as opposites, but rather as orthogonal. This corroborates discussion and empirical evidence found in the broader effectuation theory literature that effectuation and causation are not two opposite ends on a continuum instead the two logics are two axes on the same frame of coordinates (Galkina & Lundgren-Henriksson, 2017; Frese, Geiger, & Dost, 2020; Perry, Chandler, & Markova, 2012; Sarasvathy, 2001; Smolka, Verheul, Burmeister-Lamp, & Heugens, 2018).

[other company] is my former assistant. So, I knew his work well...so that's why we used [him] to create this [visual identity] for us" (M2, Magisso).

Similarly, the entrepreneur can address contingencies and co-creation opportunities that arise with partners in foreign markets when developing the brand from an unbranded toward a sporadically branded INV state. Customer feedback and cooperative branding initiatives are integral to INVs' brand identity development. An example is provided by the following quote: "From a retail perspective, they [i.e., Davids Tea – Canada's largest retailer specializing in tea] are co-branded products so we get the Magisso brand visible for a totally new audience around the globe" (M1, Magisso) illustrating how the use of a founder's network to create cooperative branding increased brand awareness for the company.

An interesting finding related to the affordable loss principle of effectuation logic was the importance of pre-order commitment, which was mentioned frequently by the case firms. Pre-order commitments helped the firms deal with resource constraints (Mollick, 2014) while also strengthening the brand personality and brand awareness, as illustrated at Ambronite: "We ran a crowdfunding campaign and we got pre-orders, essentially customers who wanted to support our mission, from 35 countries. It was the major reason we got featured...on some of the biggest news outlets in the world." (A2, Ambronite). This is another signal of the effectual logic vital to propel brand identity from its unbranded to a sporadically branded international new venture state. The firm can achieve brand awareness through participating in crowdfunding programs with high worldwide visibility, in addition to receiving funds from stakeholders (Davis, Hmieleski, Webb, & Coombs, 2017), who feel the brand mantra and personality traits resonate with them. We can therefore conclude that effectuation logic characterized by the exploitation of available means, co-creation, contingencies, and affordable loss leads to a development of brand identity development state from an unbranded INV state toward a sporadically branded INV state.

Furthermore, when confronting sudden highly uncertain situations (e.g., the Covid-19 crisis), we noticed that entrepreneurs occasionally decided to return to the use of effectuation logic later in the internationalization process, a finding in line with earlier studies (e.g., Nummela, Saarenketo, Päävi, & Loane, 2014). Magisso leveraged its means derived from manufacturing and supply chain networks and used this surprising contingency as an opportunity for brand extension to provide personal protective equipment such as rubber gloves, face masks to replace the falling demand for its then-current brands. Moodmetric also reverted to an effectuation logic and used the contingency to offer its services online, a tactic that also reflected on the firm's brand identity in more sporadic campaigns such as Ambronite's *Remote work survival* deals campaign (Ambronite website). Furthermore, none of the INVs in an unbranded or focused state had successfully applied causation logic to shift to the sporadically branded state. Accordingly, we argue that effectuation logic offers the flexibility to move back toward a sporadically branded INV state, even if development had progressed further toward the focused branded INV state. It is the logic of decision-making that has a decisive impact on the state of an INV's brand identity development. Accordingly, we propose that:

**P1a.** When an INV is in an unbranded state of brand identity development (or occasionally even in a focused branded state), the use of effectuation logic is more likely to bring a change of state to that of a sporadically branded INV than would applying a causal logic.

However, when analyzing the decisions of the founders of INVs to alter their decision-making logic to the causal form characterized by goal setting, careful planning, and an implementation policy, we noticed a shift in brand identity development toward a focused branded INV state. The founders exhibited strategic thinking and careful planning that was reflected in formalizing the brand development activities in their firms. This situation is illustrated as follows by a founder: "We want to be more focused and think strategically before we act and understand that why these things [in brand identity] need to be changed so that we can

penetrate the North American markets" (M1, Magisso). In this instance, brand identity development was not sporadically conducted but was more strategic. Accordingly, when an entrepreneur's decision-making shifts toward a causal logic, that shift can involve analyzing and aligning with customer needs and establishing plans that prompt changes to communication tactics and packaging that resonate with the brand identity of the firm. For example, Ambronite introduced a packaging that is "more sustainable and takes up less space and material...and is completely water and scratch proof and will stay in great shape in your backpack" (Ambronite Blog Post, 2015), while the other firms introduced all-black packaging colorways (FatCloth), colored boxes (Magisso), and brown and green logos (Moodmetric) to their packaging. The changes were intended to enhance the customer experience, distinguish the brand from its competitors, and create more brand awareness in a planned and systematic manner: "Our portfolio has grown to over 50 items and now we are more selling and spreading the word of the brand and not individual products...so for instance, we set up our new packaging and logo and the layout part about half a year ago [in accordance with our planning process]." (M1, Magisso).

The moves detailed above signal a state of careful thought, analysis, and implementation of a plan to support brand identity development. Furthermore, none of the INVs in the sporadically branded state had successfully applied effectuation logic to shift to the focused branded state. We can conclude that after the founders of the INV case firms adopted a causation-based logic, they sought to define a clear brand identity for their firms by applying careful planning and implementation. This moved the brand identity toward a focused brand state that included a few well-defined brand values, a strong brand personality, and an even stronger brand relationship cemented through greater customer commitment, community engagement, a strong communication strategy, and brand awareness. Hence, we offer the following proposition:

**P1b.** When an INV is in a sporadically branded state of brand identity development, the use of causal logic is more likely to bring a change of state to that of a focused branded INV than would applying effectual logic.

We were interested to note that when the state construct—brand identity development—progresses from the unbranded and sporadically branded INV states toward the focused branded INV state, the bond between the brand and the distributors and customers in the foreign market strengthens, which also prompts a shift in the decision-making logic used in the change construct. This development can be understood through the intensified accumulation of knowledge by the INVs when developing toward the focused branded state. The strengthening bond between the brand and the actors in the target market creates intensity and involvement with the brand including active engagement through the utilization of cost-effective communication channels such as YouTube, Facebook, and Twitter particularly in the case of INVs: "Mostly it's [customer feedback] from Facebook" (F2, FatCloth). The firm learns about the foreign market and its requirements through this two-way communication. The Ambronite representatives reported on the learning on customer demographics: "From the web shop we see which part of the world people order Ambronite from...whether they are male or female and so on...what kind of jobs they do and where they work and so on" (A1, Ambronite).

Therefore, learning builds capacity for the entrepreneur to shift to a casual decision-making logic as that requires the ability to conduct market research, set goals for developing the brand identity, avoid potential surprises, and calculate returns from investments in the brand identity (Read et al., 2009), all of which require brand-related knowledge of the foreign markets and customers. A founder commented on the effects of the shift as follows: "Now we have been focusing more on understanding the customer needs and trying to really know them to build the [branding] concept...how can we create a campaign or promotion during a certain time? Or how can we educate their people, [like] their sales staff?"

(M1, Magisso). Similarly, a colleague from the same firm reported which knowledge is crucial for a more causal decision-making logic: *"I think that it's like in the early stage of Magisso...we really gained some knowledge and understanding that we need to be focused...do some things better and learn from the things that [we have] done in the past"* (M2, Magisso). An earlier study found that the feedback from learning provides small firms with the capacity to develop their brands (Centeno, Hart, & Dinnie, 2013). Moreover, enhanced familiarity with a foreign market enables the entrepreneur to engage in more careful planning, goal setting, and to design implementation policies related to branding. Accordingly, this learning relates to the *change* (see also, Vahlne & Johanson, 2017) in decision-making logic used by the entrepreneurs and triggers a shift from effectual toward causal decision-making logic. Accordingly,

**P1c.** When an INV is developing toward a focused branded state of brand identity development, it increases the accumulation of brand knowledge, which in turn brings a change of decision-making from an effectual to a causal logic mode.

#### 4.3. The moderation effect of perceived uncertainty owing to psychic distance

Our analysis revealed that when INVs operate in uncertain environments caused by psychic distance, their application of effectual decision-making logic reflected in means, co-creation, leveraging contingency, and the affordable loss principle leads to the accelerated progression of the brand identity toward a sporadically branded INV state. With their limited knowledge of foreign markets and few resources to gather information about those markets, entrepreneurs depended on their means to support brand identity development. First, their identity informs them about which needs their brands should address (e.g., quality, healthy living, stress management), such that their identity is carved into the firm's brand values (also expressed through the brand mantra) that govern the brand, product line extensions, and firm processes. Ambronite explained the importance of the entrepreneurs' identity to the brand under conditions of high psychic distance as follows: *"Our values reflect those of a business started by a band of pioneers, and the simple, healthy, and adventurous style they promoted"* (A1, Ambronite; verified from documents). Second, entrepreneurs call on their previous experience as an important resource in formulating the brand values of the firm under uncertainty, as is illustrated by one founder who stated that it was the prior experience of his co-founder that made it possible for the firm to define its values and establish its brand identity (F1, FatCloth). Third, when they perceive high uncertainty owing to psychic distance, entrepreneurs turn to network partners to access distribution and market facilities to rapidly develop the brand identity with correct values immediately or soon after inception, which was explained as follows: *"Whenever there is a cultural mismatch with our way of doing business [in] a local market, we normally use importers... [we] find a local partner who knows the market, who already has existing customers and takes us to that market...in the beginning most of our distributors came through the network and eventually we had five or six different countries opened because of that network"* (M1, Magisso). Therefore, in the context of high perceived psychic distance, entrepreneurs' available means enhance the more rapid emergence of defined brand values that are critical elements in the sporadically branded INV state.

Our study found that the entrepreneurs of our INV case firms used co-branding strategies to legitimize their brands and create awareness: *"with these collaborations [e.g., in South Korea], it's building awareness...and having synergies between two brands that have similar types of customer base"* (F1, FatCloth). The approach can serve to strengthen brand relationships in psychically distant markets. This situation is illustrated in the following quote prompted by a question about the importance of cooperative branding in psychically distant markets: *"It is the brand relationship between consumers in the long term ... [and] this is going to be extremely important to us [in the North American market]"* (M2, Magisso). An earlier

study found that INVs can overcome liabilities of smallness, newness, and foreignness (Zahra, 2005) through co-creation (e.g., co-branding) activities with local actors (Gabrielsson, 2005). Co-creation initiatives are the impetus to gather feedback about usage habits and customer needs (Harmeling, Moffett, Arnold, & Carlson, 2017) therefore supporting two-way communication. Accordingly, in cases of high perceived psychic distance, cooperative branding arrangements offer an opportunity for brand relationships to progress from one-way communication to two-way communication and accelerate brand awareness more rapidly than would be possible if such arrangements were not in place. The effect is to accelerate the evolution of the brand identity from an unbranded form to a sporadically branded INV state.

We also find evidence that effectual-oriented entrepreneurs can leverage the uncertainty caused by psychic distance by turning surprises into opportunities and managing new situations as they unfold. An example is provided by the FatCloth interviewee, who explains: *"We have been running pop-up stores [with] World of Trade, an organization focused on selling Finnish design items. They decided this year to open a pop-up in South Korea. It's just an open opportunity to go there and see whether the types of products [brand] we have created will sell in those markets."* (F2, FatCloth). FatCloth's leveraging of contingencies in psychically distant markets secured a rapid increase in INVs brand legitimacy and brand awareness in these markets, thus further advancing the brand relationship and prompting a quick change of brand identity toward a sporadically branded identity state.

The Uppsala model postulates that to avoid significant losses firms need to proceed incrementally instead of making large one-off commitments (Johanson & Vahlne, 1977; Vahlne & Johanson, 2017), however, our study findings suggest otherwise. Our data show that entrepreneurs' affordable loss (Read et al., 2009) is harnessed through three actions relevant to spreading project risk and reducing the costs of developing their brand identities rapidly when the perceived uncertainty arising from psychic distance is great. First, pre-order commitments from psychically distant markets accorded the entrepreneurs behind the INV case firms more resource slack to rapidly develop their brand identity soon or immediately after inception by strengthening brand personality and the brand relationship, as emphasized in this quote: *"very early on we had pre-order form on our website...over half of the [pre]orders came from the United States...we got our presence online...through social media, you know, people sharing our content and so on"* (A1, Ambronite). Moreover, those who made a pre-order commitment tended to share personal goals (traits) with the entrepreneurs: *"customers who wanted to support our mission [through a pre-order commitment] came from around the world"* (A2, Ambronite). Second, our case INVs benefited from social interaction time in psychically distant countries without incurring any costs. Customers who become brand evangelists spend time discussing the brand, usage, how it addresses individual problems (e.g., it supports a healthy lifestyle or relieves stress) on forums, by commenting on a firm's blog posts and through other communication channels and then form a strong relationship with the brand (Keller, 2016). This strengthens the brand personality and brand relationship: *"the one thing we have been good at is getting free promotion online and we have these ambassadors and we never had to pay anyone...which has helped us create an online presence and that is what is most valuable for us going international [into psychically distant countries]"* (F2, FatCloth). Third, publicity through free media coverage reduced the need for financial commitments, as is illustrated in this excerpt: *"Through one of our retail partners who knew a journalist at The Wall Street Journal we sent a [Magisso branded]teacup there and they wrote about that...we are a small company and we cannot afford to have a PR agency [in a distant country like the USA]"* (M1, Magisso). Such actions can overcome the predicaments inherent in the unbranded INV state to ensure brand identity development progresses toward the sporadically branded INV state.

The discussion above indicates that under conditions of high psychic distance, entrepreneurs' means strengthened their firms' brand values. Co-creation and leveraging contingencies are principles available to



entrepreneurs to advance the brand relationship, whereas commitment to affordable loss reduces sunk costs relating to financial commitments and the time and staffing required to build a brand identity from scratch, especially with constrained resources under conditions of high psychic distance. Under these circumstances, these tenets of effectuation logic are helpful to rapidly progress the brand identity development further toward the sporadically branded INV state. We therefore propose:

**P2:** The perceived uncertainty owing to psychic distance moderates the relationship between an entrepreneur's effectual decision-making logic and the brand identity states of an INV, such that the greater the perceived uncertainty owing to psychic distance, the more rapidly will use of the effectuation logic shift the brand identity development from an unbranded or focused branded INV state toward a sporadically branded state.

As entrepreneurs' knowledge of distant markets improves, their perceived uncertainty owing to psychic distance decreases, so they start engaging in careful consideration, goal setting, planning, and rigid implementation practices concerning brand identity development, as is shown in our field data. Prior literature reports that firms apply a causation logic through planning, developing expectations, making predictions, and performing calculations (Read et al., 2009; Sarasvathy, 2001). This set of actions accelerates the development of the brand identity toward a focused branded INV state, as is also revealed in our cross-case analysis.

This development can be understood as having entered psychically distant markets, entrepreneurs learn from their experiences and understand what is required by the host market culture, business operations conventions, and its laws, among other factors. Perceived uncertainty is therefore not persistent. Branding activities become more consistent and planned, as exemplified by FatCloth's seasonal collections and the continued availability of topical brand lines (Ambronite and Magisso). Foreign market intelligence informs decisions about repositioning strategies, especially as uncertainty decreases, and brand-customer relationships grow stronger: *"We try to visit our customers more often, even in the Far East...It's also been a kind of understanding or learning process for us...Whenever we understood the business, we started to work with agents [and plan our activities with them]...also, you have to adapt to the local market. We have a hospitality partner in the USA...with them, we are actually adjusting product sizing (brand line) and other details so the products (brand) better suit their channels"* (M1, Magisso).

This finding has ramifications for brand identity development, in that entrepreneurs experience a stable business environment, become familiar with routines and branding activities, and hence, do not need to develop the brand identity in a sporadic manner. The situation offers firms a foundation from which to operate in a focused branded INV state.

The entrepreneurs emphasized that the use of causation was particularly appropriate when the psychic distance was perceived to be low, as that circumstance makes it possible to analyze customer needs and develop a particularly strong brand relationship. The perspective is illustrated in the following response to an interview question on the reason for adopting a more planned approach: *"I think it's the relationship with the customers that is the biggest"* (A2, Ambronite). Incorporating customer feedback into brand identity development gives customers a sense of belonging and reinforces their attachment to the brand (Keller, 2016). The more customers are involved, the more they exhibit loyalty, trust, commitment, and establish emotional bonds (Brodie, Ilic, Juric, & Hollebeek, 2013; Merz, Zarantonello, & Grappi, 2018). We can conclude that as perceived uncertainty arising from psychic distance decreases, there is less desire by entrepreneurs to exploit contingencies, but rather, due to lower levels of experienced uncertainty, they can start to exploit the market information collected; hence, the application of the causation logic to drive the brand relationship becomes more prominent. As a result, brand identity development can progress toward a focused branded INV state. On this basis, we propose:

**P3:** The perceived uncertainty owing to psychic distance moderates the relationship between an entrepreneur's use of causal decision-making logic and brand identity state, such that the lower the perceived

uncertainty owing to psychic distance the more rapidly will the use of causation logic shift the brand identity development from a sporadically branded INV state toward a focused branded INV state.

Finally, the case evidence also revealed that when the perceived uncertainty owing to psychic distance decreased, the influence of learning from the brand relationships with the consumers in various countries had an ever-greater influence on the move to use causation logic in brand-related planning. Accordingly, the INVs' position was transposed from that of *outsider* to become an *insider* in the foreign markets they had entered. The effect was to advance learning experiences, trust, and commitment (Johanson & Vahlne, 2009; Vahlne & Johanson, 2017): *"You have to constantly understand better what you are doing and why... so the strategy has changed...Now we are more selective about which customers and territories we target. For us, it has been a learning process"* (M1, Magisso).

The decision-making became more organized and routinized, and the firms started to develop processes related to decision-making about brand identity development. This led to the appointment of brand champions, systematic reviews of brand-related consumer feedback, brand development becoming a standard topic on the agenda of the board of the INVs, and annual brand development plans and brand-related guidelines being regularly reviewed and systematically updated. The FatCloth representative commented on updates to the brand guideline manual and brand line extensions: *"They [brand guidelines] need to be updated once in a while...[and then] the seasonal collections follow a [biannual] plan and there is the Christmas season with sales events, etc., that comes every year"* (F2, FatCloth). Customer feedback creates learning opportunities for entrepreneurs to exploit rather than exploring foreign markets (March, 1991): *"We collect customer experiences all the time and want to make the [brand] better"* (Mo2, Moodmetric). An Ambronite respondent expressed the change to a causal logic as follows: *"We have become much more process-driven and I think it's because of the experience and all the learning that has happened over time"* (A2, Ambronite).

Cooperative projects (e.g., co-branding) build a brand relationship but also enable learning among partners, especially when perceptions of psychic distance diminish. Partners share ideas about product development, customer needs and desires, and branding strategies with entrepreneurs of INVs because of the strength of the acquaintances they have formed. These relationships are expected to become the building blocks for planning and implementation policies. We can conclude that when the uncertainty related to psychic distance decreases, the learning from brand relationships has an even greater impact on the move to apply causation logic in decision-making. Accordingly, we propose:

**P4:** The perceived uncertainty owing to psychic distance moderates the relationship between brand identity states and change constructs such that the less the perceived uncertainty owing to psychic distance the more rapid accumulation of brand-related knowledge allowing INVs to shift their decision-making logic from an effectuation form to a causation one.

## 5. Discussion and conclusion

By identifying important gaps in the extant international branding literature, related to entrepreneurial decision-making and the development of brand identity of INV firms in uncertain, international environments the current research establishes a central research question: How do decision-making logics shape INVs' brand identity development, and what is the influence of the perceived uncertainty owing to psychic distance? In answering this question, we formulated the dynamic model illustrated in Fig. 2. The model expands our knowledge on the prominence of each tenet of decision-making logic (Sarasvathy, 2001) during the development of brand identity. The brand identity of INVs develops rapidly through three different states so that the brand identity dimensions—values, personality, and relationship—have a different configuration in each state. These materialize in a *change* and *state* process (Johanson & Vahlne, 1977; Levie & Lichtenstein, 2010;



Meyer et al., 1993; Vahlne & Johanson, 2017). Decision-making logic constitutes a change that could apply either effectual logic or causal logic in decision-making by the entrepreneur. *State* manifests in unbranded, sporadically branded, and focused branded INVs and in the related brand identity dimensions. We assert that there is a connection between change and state that underlies the dynamism of our model in the following way. First, the development of INVs' brand identity is propelled by their founders' decision-making logic, effectuation being more likely to shift the INV from an unbranded to a sporadically branded state, while the move to the focused branded state requires the application of a causation logic. Second, the state of the brand identity development affects the possibility of accumulating brand knowledge that in turn influences the decision-making logic used.

Further, the role of perceived uncertainty owing to psychic distance is twofold. First, perceived uncertainty moderates the balance between effectual and causal logic and the prominence each lends to the brand identity dimensions and the corresponding state of development; specifically, perceived uncertainty enhances the influence of the decision-making logic on rapid brand identity development. Second, perceived uncertainty moderates the influence of the brand identity development state on the decision-making logic.

### 5.1. Theoretical contributions

Prior literature scarcely addresses international branding among INVs, with only a few exceptions examining the standardization (Gabrielsson, 2005) or brand image viewpoints (Efrat & Asseraf, 2019). Among our contributions to the international branding literature perhaps the most notable is unearthing the importance of the selected decision-making logic to INVs being able to progress toward the advanced brand states.

An INV will apply an effectual decision-making logic to advance its brand identity development, particularly when it is striving to move from the unbranded to the sporadically branded international new venture state. Through the application of effectuation logic (i.e., means, co-creation, affordable loss, and leveraging contingencies), brand identity development in an INV can occur immediately or soon after inception even given limited resources and in the context of uncertainty based on psychic distance. This finding runs counter to a common assumption and therefore improves the understanding of how the liabilities of INVs can be addressed through the tenets of effectuation logic in the context of brand identity development. An effectual decision logic is, therefore, a catalyst for the progression of brand identity development from an unbranded to a sporadically branded state for INVs. A causation logic (marked by goal setting, careful planning, and an implementation policy) is in contrast applied to attain the focused branded INV state. The causation logic particularly strengthens the holistic and focused brand identity approach, in which the three brand identity dimensions—values, personality, and relationship—are developed in a coordinated and integrated way. This finding enhances our understanding of how the brand identity development of INVs differs from the brand development undertaken by gradually internationalizing firms, which in stark contrast, builds on leveraging a strong home market brand position and a goal-oriented approach from the outset (see e.g., Cheng et al., 2005; Couto & Ferreira, 2017). In detailing how decision-making logics inform brand identity development, particularly in uncertain conditions but also in more stable conditions, we extend effectuation theory into an international branding context (cf. Townsend et al., 2009).

Moreover, our empirical study enhances the understanding of the co-creation of brand identity (e.g., da Silveira et al., 2013; Törmälä & Gryn-Jones, 2017; Merz et al., 2009) by specifying how it is supported by effectuation logic. The gradual internationalizing models acknowledge the relevance of networking in the expansion of firms abroad (see e.g., Vahlne & Johanson, 2017, 2020). Similarly, our study findings also show the importance of networks in creating a strong bond between the brand and with the various stakeholders in distant foreign markets. In addition,

the findings broaden the view based on networks by acknowledging the role of other tenets of effectuation logic. Accordingly, the means (entrepreneur identity, experience), contingencies, co-creation opportunities, and affordable loss tenets can be applied to create a strong bond. Therefore, our research responds to a recent research call to investigate how a firm can reduce its control over its brand identity development and assign part of it beyond the firm's boundaries (Swaminathan et al., 2020). Moreover, we illustrate the increasing importance of social media in international brand identity development.

The contribution of the study to international entrepreneurship literature stems mostly from the enhanced understanding of the mechanisms driving how effectuation influences critical firm functions (Read et al., 2016; McKelvie et al., 2020) extending the investigation to branding. By presenting a change and state process model, we outline the mechanism that forms the basis of how decision-making logic shapes the advancement of brand identity states. Accordingly, we explain the process of brand identity development among INVs in a manner consistent with the recent call to capture insights into the processes by which firms develop their capability to achieve a firm-specific advantage in foreign markets (Vahlne & Johanson, 2020). Our model illustrates how knowledge accumulation is strengthened during the development toward a focused branded INV state, which reinforces the use of causation logic. A particularly important finding lies in the understanding that the prevailing condition (i.e., perceived uncertainty owing to psychic distance) explains the strength of the impact of the decision-making logic on the brand identity states and the brand identity states relating back to decision-making logic, that is *the change construct*. Entrepreneurs applying effectual logic affects brand identity development when an INV is passing through the unbranded and sporadically branded INV states; an impact further strengthened by perceived uncertainty owing to psychic distance. The causation logic is more effective in the case of brand identity development when the perceived uncertainty owing to psychic distance is low. In that sense, INVs do not necessarily mitigate psychic distance only by applying learning over a longer period as postulated in the stage model of international brand development (Cheng et al., 2005), but can instead do so by applying the most effective decision-making logic. Consequently, lack of local market knowledge could be offset through co-creation activities with host market network partners; or learning could occur rapidly owing to an INV entrepreneur's past experience, leveraging of contingencies, and exploiting affordable loss principles to advance brand identity development. These findings support some earlier findings on the importance of networks in exploiting entrepreneurial opportunities (Schweizer, Vahlne, & Johanson, 2010; Vahlne & Johanson, 2020) but also the importance of being able to alternate between the two decision-making logics (Nummela et al., 2014; Yang & Gabrielsson, 2017).

### 5.2. Managerial implications

Small firms largely ignore branding and tend to view the practice as the preserve of well-established big brands in larger markets (Abimbola & Kocak, 2007); and moreover, the resource constraints and uncertainty that generally hinder entry into foreign markets pose significant challenges to firms such as INVs that internationalize rapidly into foreign markets from inception (Oviatt & McDougall, 1994).

Nevertheless, our findings indicate that entrepreneurs and managers in rapidly internationalizing INVs can develop their brand identity in a relatively short period, with limited resources and in the presence of psychic distance by applying the effectuation decision-making logic during the unbranded and sporadically branded states. In these circumstances, entrepreneurs can benefit from exploiting contingencies using their means, including collaborative branding agreements that enhance brand awareness and legitimacy. Pre-order commitments, social interactions, and free publicity are also key to overcoming financial burdens, in that those aims require investments only up to a tolerable threshold while also building the brand's personality and strengthening

its brand relationship. Acquiring brand legitimacy, customer commitment, awareness, and market intelligence in foreign markets reduces the perceived uncertainty arising from a psychic distance. At that point, INVs should pursue proper planning and goal setting in line with causation, as that will positively advance the development of their brand identity to the focused brand state.

### 5.3. Limitations and research directions

Although we used an explanation-building logic to improve theoretical generalization and a multiple-case study approach to enrich the theory development and propositions (Yin, 2009), our findings cannot unconditionally be generalized to other contexts. Future research would have to establish whether generalization to a larger population is possible. We studied firms from a small and open economy country, Finland. Future studies could extend the study to other small and open countries and also to larger economies. A quantitative survey could also investigate whether the findings of this research hold for a larger population and in other countries. Further, future studies would need to validate our postulated propositions for generalization purposes. Our study did not specifically examine firm performance, although participants mentioned successful firm growth. Therefore, it would also be interesting to investigate whether a good strategic fit among the decision-making logic, perceived uncertainty owing to psychic distance, and brand identity development states leads to superior performance. In other words, in what circumstances might causal mechanisms—the *why* of effectual activities—lead to optimal outcomes (McKelvie et al., 2020). In addition, although we collected data at three different data points over five years, we cannot offer strong assertions on the effect of time on brand identity development, but perhaps future studies could explore the effect of time on brand identity development further.

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