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## **ENTREPRENEURIAL NETWORKING IN INV'S OPPORTUNITY DEVELOPMENT**

There is a widespread agreement of the networking behaviours by individuals being the key drivers of industrial network dynamics. The success in networking is noted of central importance to development of international new ventures too. Still there is a limited amount of empirical research that would be examining how entrepreneurs actually act in networks and how that is related to network dynamics over time. The present study examines networking behaviour of entrepreneurs in developing the international business opportunities for their international new ventures. The study discusses theoretically the types and roles of networks that are seen as most relevant to the international new venture entrepreneurs and the ways of networking presented in previous research. Through an event-based process research covering three-year development of a high tech international new venture, the study examines in-depth the networking behaviours of the entrepreneurs. The study concludes with explicating how the goal-oriented actions of the entrepreneurs create network dynamics and are connected to changes in the international opportunity development.

**Keywords:** networking, international new venture, opportunity, social network, facilitation network, event, process

### **INTRODUCTION**

Industrial network research often depicts a situation in which a firm operates in a quite well identifiable network and has quite a stable position in it (Johanson & Mattsson, 1989; Easton, 1992; Håkansson & Johanson, 1992). Although the interactions in the relationships are expected to lead to incessant change in the networks (Håkansson & Snehota, 1995), the dynamics at network level have received scant attention (Halinen, Salmi & Havila 1999; Knobon, Oerlemans & Rutten, 2006). Quite few studies depict evolution of industrial networks over periods of time (e.g., Alajoutsijärvi et al., 1999; Andersson & Mölleryd, 1999; Mainela & Puhakka, 2008). Moreover, there is even less research on the dynamics of networks of new ventures without a starting position in an inter-firm network but aiming at operating internationally. This study focuses on this type of a firm, so called international new venture (INV). It is a firm that becomes international soon after establishment when it searches for growth in global markets or specific resources in multiple countries taking advantage of the globalizing economy (Autio et al., 2000; Oviatt & McDougall, 1994; Rialp, Rialp & Knight, 2005).

The importance of networks in internationalization has long been emphasized. It was noted early on that interaction with counterparts who do international business permits managers of domestic firms to obtain information on export market opportunities (e.g. Welch & Wiedersheim-Paul, 1980; Wiedersheim-Paul et al., 1978). Johanson and Vahlne (1990) then defined internationalisation as an outcome of the interplay between the experiential learning in relationships and commitment to potential and existing business partners. However, the new ventures that are just about to emerge do not have existing business relationships on which to rely. The research on international new ventures (INVs) suggests that they might, instead, use the social networks of the entrepreneur (e.g. Andersson 2000; Chetty & Campbell-Hunt, 2004; Johanson & Vahlne, 2003; Kiss & Danis, 2008) or specific facilitation networks (e.g. Prashantham & McNaughton, 2006; Welch et al., 1996) to support the creation of the firm and its activities. However, similarly to the industrial network research, our knowledge of the network dynamics in the development of the INVs is limited. In a recent review on entrepreneurial internationalization research (Jones et al., 2011), it was only five out of 222 studies that had network processes as their primary topic.

The present study approaches INV development as a network-based, innovative activity actualized through entrepreneurial networking over time. The objective is to define the networking based mechanism for the INV's business development. The research question is *how entrepreneurs develop opportunities through networking in INV's business development*.

Research on business development processes in networks at the level of individual's acting is scarce (Buttriss & Wilkinson, 2006; Mainela et al., 2011). We examine the networking by the entrepreneurs of INVs and how that is related to network dynamics. In contrast to, for example, Coviello (2006), who examined the structures and patterns in INV networks, we focus on the events over the development of the venture and the related ways of acting for international opportunity development. Empirically we examine the development of a high-tech INV through event-based process analysis of the entrepreneurs' actions in a changing network context (see Hedaa & Törnroos, 2008; Van de Ven and Engleman, 2004). We follow the development of the INV in time over a three-year period. We illustrate the temporally activated networks in search for assistance in business development and the resulting network-interaction-based international opportunity development over time.

The paper is organized as follows. The next section builds an initial conceptual framework from the research on the roles of networks in internationalization and in case of INVs, in particular. The third section introduces the research methodology. The fourth section provides a description and an analysis of the development process of the case venture over time through specific events. We end with discussion on the contribution of the study to network dynamics and international new venture development literatures.

## **NETWORKS AND OPPORTUNITIES FOR INV INTERNATIONALIZATION**

The previous research on INVs builds primarily on the Oviatt and McDougall's (1994) definition of them as firms internationalizing at a young age. The determinants of the speed of internationalisation have therefore formed one important research area (Acedo & Jones, 2007; Bell et al., 2003; Loane & Bell, 2007; Oviatt and McDougall, 2005). The contribution of the studies often lies in contrasting accelerated internationalization and its drivers with gradual internationalization models. However, the theorizing by Johanson and Vahlne of the Uppsala model of internationalization (Johanson & Vahlne, 1990, 2003, 2006, 2009) has progressed towards very similar key elements as has the theorizing by Oviatt and McDougall about the international entrepreneurial behaviors (McDougall & Oviatt, 2000; Oviatt & McDougall, 2005). Both stress behaviors in networks and in relation to new opportunities as

the core of firm's international business development. In the following we review prior research on the roles and types of networks and networking behaviors in both traditional internationalization and INV literatures.

#### **TYPES OF NETWORKS IN INV INTERNATIONALIZATION**

We start with assumption that internationalisation is to a large extent about networks. For example, Johanson and Vahlne (2003) note that a firm may enter international business through direct relationships with customers, indirect relationships through intermediaries or another third party, or alongside a business partner. This makes internationalisation an outcome of the development of existing, new or indirect relationships that the firm reaches through its network (Johanson & Vahlne, 2003).

With respect to INVs a widely agreed view is that the active use of networks facilitates the development of INVs (e.g. Coviello & Munro, 1995; Sharma & Blomstermo, 2003; Bell et al., 2003; Komulainen et al., 2004; Harris & Wheeler, 2005). To overcome the liabilities of newness and smallness, entrepreneurs often bring their social networks into the business (e.g. Agndal & Axelsson, 2002; Agndal & Chetty, 2007; Andersson, 2000; Chetty & Agndal, 2007; Zucchella et al., 2007). Particularly in entrepreneur-driven firms, the business tends to be personalized and embedding the business operations in to social networks is natural (Granovetter, 1973). Social relationships are especially useful when they assist in coping with the constraints of institutional and bureaucratic structures in new markets (Kiss & Danis, 2008).

Still it is not only social networks that are used in internationalization. Entrepreneurs may also seek out international business development institutions and professional mediating actors to facilitate their internationalisation (Prashantham & McNaughton, 2006; Ellis, 2011; Mainela & Puhakka, 2011). External consultants, research projects, governmental export programs and support services can be of great benefit (Welch et al., 1996). In fact, Nummela (2000) argues that public and semi-public organisations are the most important supporters of entrepreneurs at the beginning of their internationalisation.

The actors providing external facilitation are primarily intermediaries between the supplying firms and their customers or possible partners (McEvily & Zaheer, 1999). Export intermediaries have long played a role in the internationalisation of entrepreneur-driven firms, bridging the cultural, linguistic and geographical gaps between parties from different countries (e.g. Havila, Johanson & Thilenius, 2004; Peng & Ilinitich, 1998). The ability of intermediaries to reduce information costs in the adaptation to new markets has been seen as a significant benefit (e.g. Popp, 2000). Thus, intermediation and external facilitation allow the entrepreneur to rely on knowledge of others instead of developing experiential knowledge (cf. Sharma & Blomstermo, 2003; Kuivalainen et al., 2004; Arenius & De Clercq, 2005).

Prashantham and McNaughton (2006) acknowledge in particular the processual nature of facilitation activities. Architecting takes place during the first stage of facilitation when the availability of organisations with complementary capabilities and resources is defined and they are initially evaluated. Brokering involves introducing the company to potential collaborators and facilitating the devising of contracts. Coaching aims to ensure that the complementary capabilities of partners result in successful collaboration at team and individual levels. During the process, the facilitating actor aims to enhance the firm's visibility, efficiency and intimacy in the network by overcoming the lack of information, processes and trust in the network.

How relationships can be utilized in business depends on their characteristics, which make some relationships more appropriate for certain purposes than others. Loosely structured relationships with infrequent contact and little emotional intensity are weak ties (Granovetter, 1973; Björkman & Kock, 1995). They are arm's-length ties between

acquaintances that may lack reciprocity and continuity and concern narrow economic matters (Salmi & Bäckman, 2000; Uzzi, 1997). Those based on friendship and featuring frequent contact are strong ties that are more easily called upon when urgent assistance is required (Granovetter, 1973; 1982). They are characterized by trust, reciprocity, exchange of tacit know-how and joint problem solving with respect to critical business matters (Salmi & Bäckman, 2000; Uzzi, 1997).

The research on INVs provides mixed results on the roles and importance of weak and strong ties and social versus business relationships. Loane and Bell (2007) noticed in their study that many of the network ties related to international opportunity development had been formed during a previous employment or when living in the targeted new market. A shared history is a good starting point for relationship development because network relationships grow incrementally in interaction, and commitment develops through common and shared experiences (Granovetter, 1973; Mainela & Puhakka, 2011). Also Sasi and Arenius (2008) suggest that it is the networks of the founders, not the firms, which influence international opportunity identification. Styles and Genua (2008) see the personal networks of academics to support the identification of initial opportunities to internationalize in research-based start-ups. Kontinen and Ojala (2011) demonstrate that in the recognition of possibilities for international exchange by family SMEs, weak ties are more important than strong ones.

#### **FUNCTIONS OF NETWORKS IN INV INTERNATIONALIZATION**

The network approach holds that markets are structured of a set of interconnected relationships between business partners (Johanson & Mattsson, 1992). Therefore, entering a market means becoming a network insider (Johanson & Vahlne, 2009). The most important market barriers are related to the development of partner relationships rather than to country or market specific issues (Johanson & Vahlne, 2003). Being an outsider in relation to the relevant network is the root of uncertainty, which increases the risk in international operations (Johanson & Vahlne, 2009). Relationships provide ways to overcome these market barriers and create access to new networks.

For the most part, the importance of networks for INVs is highlighted because the relevant business information is seen delivered through and within business relationships (e.g. Madsen & Servais, 1997; Selnes & Sallis, 2003). Fletcher and Harris (2011) emphasise the need for market knowledge, general internationalisation knowledge and technological knowledge in the internationalisation process of firms. All network actors are bearers of knowledge and therefore the business network provides an extended knowledge base for a firm (Halinen & Törnroos, 1998). However, Fletcher and Harris (2011) remind us that the small firms require many types of knowledge to be able to internationalize and do not often have useful business networks for knowledge acquisition purposes.

The INV literature emphasises also the role of networks in garnering resources for the formation of new organisational structures to develop international operations (Coviello & Munro, 1995; Weerawardena et al., 2007). For the small firms operating with limited internal resources willingness to rely on resources in networks enables international market entries (Sullivan-Mort & Weerawardena, 2006). INV entrepreneurs often build the ventures on innovative cross-border resource combinations. For example, the Global Start-ups in the INV typology by Oviatt and McDougall (1994) are capable of combining unique, ambiguous and socially complex resources into inimitable ventures based on a partner network. International Market Markets, in turn, use networks to innovatively organize the way of operating in the foreign market in order to meet an unsatisfied need (Oviatt & McDougall, 1994).

In the analysis of the entrepreneurs' acting in a network, the present study takes a positional perspective of the networks, analysing the focal net of an INV. In the focal net the

characteristics of the relationships and their functions in INV business development, not the existence of the relationships as such, are seen to be of importance.

#### **NETWORKING AND INTERNATIONAL OPPORTUNITIES**

As presented above, networks are important for new, small firms that lack access, knowledge and other resources needed in developing opportunities for internationalisation. The latest internationalization process model (Johanson and Vahlne, 2009) defines opportunities as the subset of knowledge that is the single most important driver of internationalization. The knowledge of an international opportunity is accessed and developed through relationships. International opportunities, as such, are the result from acting and interacting in networks and an outcome of commitment in business relationships (Johanson & Vahlne, 2006). Hence, activity in networks increases the likelihood of discovering new business opportunities. Relationship dependency makes it also possible to internationalise by following business partners abroad when they are executing the business opportunities they have developed. Therefore, the ability to make use of the contingencies evolving in relationships might be the key to developing new international opportunities (Schweizer et al., 2009).

Along these lines McDougall et al. (1994) note that a proprietary network identifies opportunities for the INVs. Sullivan-Mort and Weerawardena (2006) and Zhou et al. (2007) as well report the role of networks in identification of international opportunities. Lorentz and Ghauri (2008) illustrate how solid embeddedness in local networks is important for recognition of new opportunities in the Russian market. With their cases on knowledge-based firms, Chandra et al. (2009) note that international opportunity discovery is different in inexperienced and experienced firms. They emphasize that the serendipitous new information from networks and referrals need to be combined with a problem solving process to connect existing resources, skills and new technologies with new international markets. This then allows for foreign market entry.

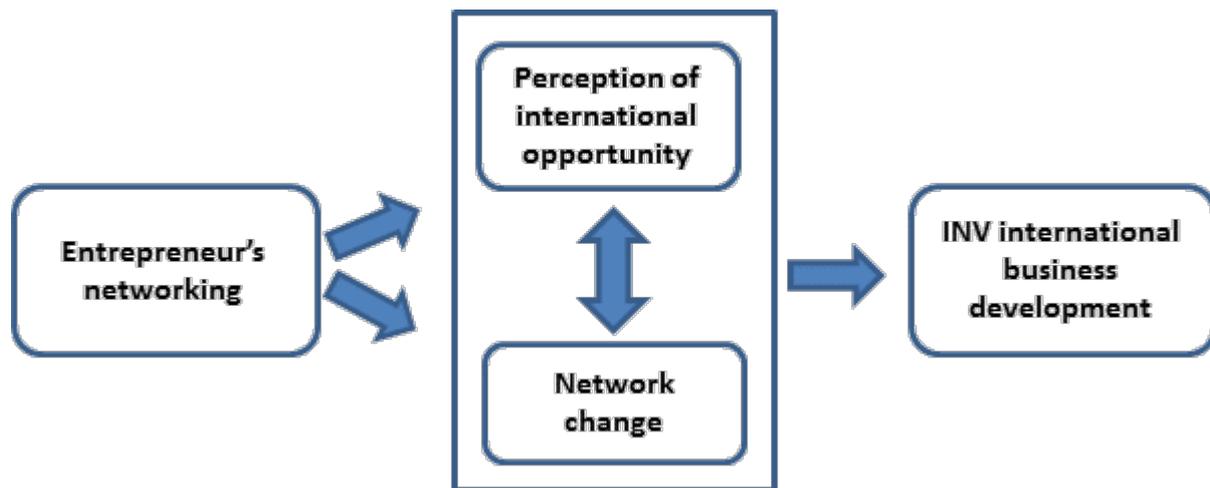
In general, the research on networks in internationalization has tended to focus on the ways of assisting the entrepreneurs and managers in developing their businesses whereas the networking behaviors that change the networks have received limited attention. On the basis of the previous research we know that inter-personal discussions, negotiations to compromise and active networking, even coalition building, are necessary elements of inducing change in networks (Welch, 1996a, 1996b; Mainela & Puhakka, 2008; Salo et al., 2009). Ford and Redwood (2005) describe firm level confronting, conforming, creating, consolidating, coercing and conceding behaviors and Andersson and Mölleryd (1999) buffering to adapt to requirements of existing partners or alternate the cooperation intensity geographically or temporally. Mainela and Puhakka (2008) define managers' ways of acting as convincing, compromising and resourcing to influence dyadic relationships and internal organizing and legitimizing in order to influence wider networks. Mainela et al. (2011) define internal problem solving, external solution creation, opportunity selling and opportunity organizing as the behaviors driving the emergent, multi-level process of INV development and embedding the venture in various networks over time. They suggest these to be the specific ways of acting that intertwine internationalization, opportunity and technology development in development of a high-tech international new venture.

#### **INITIAL THEORETICAL FRAMEWORK OF THE STUDY**

Our primary claim is that international business development in INVs happens through entrepreneurial networking behaviours over time. Networking is defined as an entrepreneur's intentional acting in and through relationships to develop international business. Through networking the INV entrepreneurs acquire knowledge, develop resources and create access to new markets. Market access realized as network insidership is the basis for both co-

development of opportunities in the existing relationships and uncertainty reduction and ability to actualize opportunities as business in new markets. Knowledge acquisition function is important for discovery of new international opportunities, especially so called arbitrage opportunities, which involve recognition of gaps between supply and demand (see Anokhin et al., 2011). Resource development function is related to both ability to develop innovation opportunities to new offerings and realization of innovative ways of acting in capturing arbitrage opportunities.

Actualization of international opportunities for international business development of INVs requires either commitment in existing relationships for new opportunity development or ability to use relationships as access routes to opportunities in foreign markets. As international opportunity development is a process of interacting in relationships to create shared interests, the actors involved become parts of the entrepreneur's perception of the opportunity (Schweizer *et al.*, 2010). Simultaneously the network structures and the characteristics of the relationships tend to change. So the entrepreneur's perception of the opportunity influences the view and use of the network relationships and the view and use of the relationship networks influences the perception of the opportunity. Therefore, networking is related with both change of network structures and perception of international opportunities. Together these three form the mechanism of INV international business development. The initial theoretical framework of the study is illustrated in Figure 1.



**Figure 1.** Conceptual framework of the study.

## METHODOLOGY

The study aims at obtaining a holistic understanding of the phenomenon under study. Statistical generalization based on common patterns experienced by several firms is not sought. Using the process research approach with event-based analysis, the study provides an in-depth analysis of international new venture development through the networking actions of individuals at the level of key events. In terms of the basic assumptions of reality and knowledge, the research adopts a worldview of critical realism and contextualised explanation (Welch et al., 2011). Hence, reality in this study is perceived as independent of our knowledge of it, but our understanding of reality is based on subjective observations (Järvensivu & Törnroos 2010; Welch et al. 2011). Therefore, explanation of the process of accelerated internationalisation in its context is approached via personal stories of entrepreneurs and through creation of consensus between multiple data.

The study adopts a qualitative process approach to scrutinise entrepreneurs' actions on events during the process. The process is defined as a sequence of individual and collective events, actions and activities unfolding over time in context (Pettigrew, 1997). Process research is concerned with understanding why and how events play out over time and therefore the data consist of stories about events and activities in them (Langley, 1999). According to Pettigrew (1997), processes are embedded into the context and in order to fulfil the aim of explaining the process, the context must be taken into account. In this study, the context was taken into account by following the case in a specific business development program. Furthermore, the entrepreneurs' existing networks, the industry and the entrepreneurs' background in the industry were examined.

As the actual research strategy is used single case study. Halinen and Törnroos (2005) support the case-study method because it offers opportunities to study different aspects and find the connections in the process. As a result of the longitudinal data collection method, the research was conducted with abductive reasoning. An abductive approach is fruitful when the researcher's objective is to discover new things or develop the original framework of the study with the empirical findings and new theoretical insights (Dubois & Gadde, 2005). It also creates in-depth understanding of the phenomenon when the researcher is moving back and forth between the theory and empirical data.

The empirical data was collected between 2007 and 2010 with multiple data-collection methods from the case firm and from the external facilitator organisation (see Table 1). The case is a small, entrepreneur-driven firm acting in high-tech business sector and had a strong intention of becoming international player in the near future. For that purpose, the firm participated in a business development program which aimed to provide tools for international expansion for high-tech SMEs.

The initial insights were created in conduction of interviews and when writing each observation memo. The first round of analysis was conducted after the whole round of interviews in 2008. The analysis focused on two themes, the firm's internationalisation and the role of external facilitation because in the beginning of the abductive research process those were the main themes under scrutiny. Each transcript and memo was read through in the light of key themes of the analysis (Miles & Huberman 1994; 430). After that, the documents were coded, the interrelationships with the important factors were examined and then the roles of external facilitation in internationalisation process were described (see Ghauri, 2004: 118-120). In the end, the findings of the empirical analysis were compared with the theoretical background (see Ghauri, 2004: 118-120).

The analysis revealed that the phenomenon was actually about international business opportunity development rather than internationalisation as such. Also the entrepreneur's actions were noted as more meaningful units of analysis than the firm level operations. The focus of the study changed to entrepreneur's networking in the process of developing an international business opportunity.

**Table 1.** Description of the primary data.

<b>Date</b>	<b>Length</b>	<b>Data collection method</b>	<b>Description of the content</b>
May 21- 22 2007, Oulu, Finland	8 hours, 4 hours	Observation notes: Common seminar of reaching global markets	Two-day seminar for all the International business development participants given by the consultants. Topic: getting ready for global markets, framing and market strategies
May 24 2007, Oulu, Finland	4 hours	Consultants' notes: Individual workshop INV	Consultants' analysis of the firm's current situation and future directions for international expansion
June 1 2007, Oulu, Finland	4 hours	Observation notes: Common seminar, feedback and future directions	One-day seminar for all the International business development participants given by the consultants. Topic: feedback and recap of the May 2007 activities
October 8- 13 2007, San Jose, USA	6 days	Observation notes: Networking event in Silicon Valley	One-week networking event for International business development participants: meetings with venture capitalists, consultants, external facilitators, business partners
January 25 2008, Oulu, Finland	50min	Interview: The entrepreneur from INV	Theme: Firm's history, entrepreneur's background, experiences of the International business development program, networking, internationalisation, future directions
January 28 2008, Oulu, Finland	75min	Interview: Executive Director of International business development program	Theme: Role of International business development and consultants for the SMEs. Progress of the firms' internationalisation
January 29 2008, Oulu, Finland	90min	Interview: Director of International business development program	Theme: Role of International business development and consultants for the SMEs. Progress of the firms' internationalisation
February 5 2008, Oulu, Finland	70min	Interview: Project Networking Manager, International business development program	Theme: Role of International business development and consultants for the SMEs. Progress of the firms' internationalisation
February 11 2008, Oulu, Finland	40min	Interview: Project Manager, International business development program	Theme: Role of International business development and consultants for the SMEs. Progress of the firms' internationalisation
May 29 2008, Oulu, Finland	80min	Interview: The entrepreneur from INV	Theme: Firm's history, entrepreneur's background, experiences of the International business development program, networking, internationalisation, future directions
March 25 2010, Oulu, Finland	95min	Interview: The entrepreneur from INV	Themes: Progress in internationalisation, networking, external facilitation
March 31 2010, Oulu, Finland	80min	Interview: The marketing and sales manager at INV	Themes: Background information, progress in internationalisation, networks, networking, learning, future directions
March 31 2010, Oulu, Finland	40min	Interview: The entrepreneur from INV	Themes: Progress in internationalisation, learning, future directions. Continuation to the interview March 25, 2010.

In 2010, the second round of interviews was done and it involved the two key persons of the firm. The analysis again followed the suggestions by Miles and Huberman (1994) and covered also the previous data to analyze it in the light of the new theoretical framework. The following coding process isolated specific details of actions, types of relationships and opportunities. However, the analysis highlighted the themes but hid the processuality of the phenomena. Therefore, a chronological story of the case was written, from establishment to 2010 (cf. Ghauri, 2004). The business development descriptions together with the coded data acted as the basis for mapping the concrete business development actions into the international business development events. Subsequently, the events were named and located on a timeline so that the development and change could be seen. Giving names to the events required analysing the core issue of each event and provided a basis for categorising the

events into the periods. Division to periods required identifying sequences of events and describing how they are or are not connected (see Buttriss & Wilkinson, 2006).

Each period was described with a network picture of the key actors who influenced the event, either directly or indirectly. In addition to the use of the pictures, the events were described verbally by focusing on and analysing the actors and their relationships, the actions related to the periods and the outcomes of the events. The case was concluded with a periodic summary, which emphasises the change over time in the processes of networking and international opportunity development.

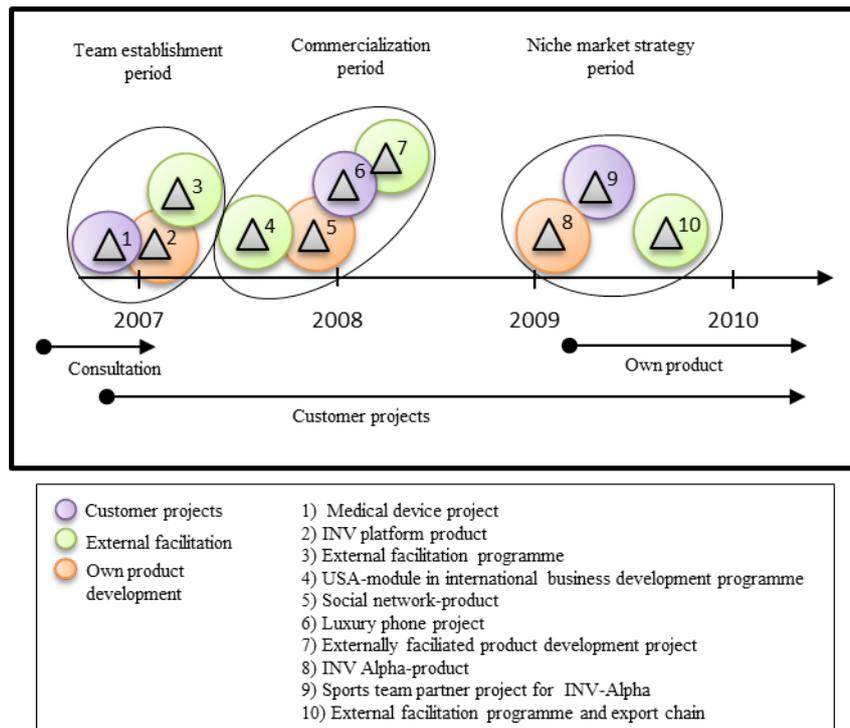
## **EMPIRICAL ANALYSIS**

The INV was established in 2004 by an entrepreneur who had worked for almost 20 years in the mobile devices industry. The previous experience provided him with an understanding of the R&D processes and also a network of potential customers, partners and subcontractors. The business idea related to enhancing the R&D of mobile devices. From experience the entrepreneur knew that the early phase of R&D demands a large resource investment and is the most risky. The entrepreneur saw the challenge as an opportunity and started to build on an idea of standardized but modifiable platforms for product testing. While developing the technological idea of the product he also developed a vision of business development. The business development strategy was to grow and develop the product stepwise from consultation services, to subcontracting through the customer projects to global own product sales. The entrepreneur did not make an intentional decision to internationalize because the product was global by its very nature, the potential customer base was international and the networks of technology partners and subcontractors were international as well. The global mind-set was self-evident and all business actions had an international slant.

The INV's international business development contained three periods of business development (see Fig 2). The events have a specific point of time in the time line, but in practice the customer projects are long standing. The starting point has been specified as an event to emphasize the moment in which the main effort took place. In all three periods there was a relatively similar cycle of events with customer project(s), product development and external facilitation. The first period is named a 'team establishment period,' second one as a 'commercialization period' and the last one as a 'niche market strategy period'.

The periods are related to the firm's product development and to its revenue model. The firm had various revenue models starting from consultation to ensure the cash flow and when the firm had formed its product development team it started to do customer projects including subcontracting. On this basis the firm started own product development and made co-branding projects with the customers. The planned stepwise revenue model was important for the firm's product development and business strategy.

With regard to the networks it is worth noting that the firm consistently used distributors and subcontractors from the entrepreneurs' previous professional networks. Therefore an important element in the distributor network and especially in the subcontractor network is that the actors, their quality, knowhow and ability to hit deadlines were known to the entrepreneurs. Even though this part of the network is important for product development, it is relatively passive in terms of influencing the events in internationalisation. In practice the distributors and subcontractors are an external resource that the firm uses, but they seem to influence only little the firm's business actions and strategic decisions.



**Figure 2.** International business development events 2007-2010.

#### EVENTS AND NETWORKS IN THE PERIOD OF TEAM ESTABLISHMENT

In the first period, three important issues happened. Firstly the core team for the firm was developed. Secondly the firm got its first product development customer. Thirdly the firm was able to develop its first own product, the INV platform.

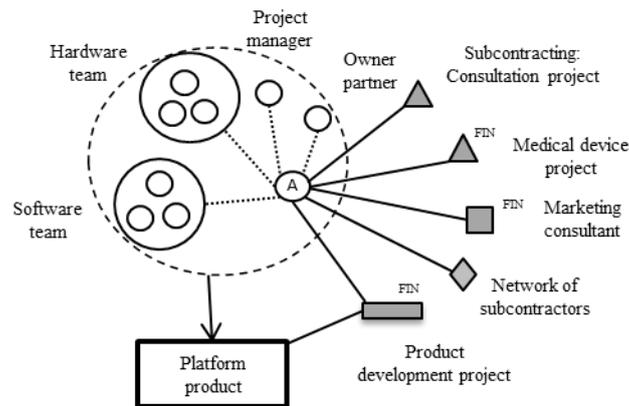
After doing consulting for about two and half years the entrepreneur got a bigger product development project. The entrepreneur happened to meet a manager from a medical device firm in a pub and the small talk led into business discussions and later getting a deal for a device development project. It was the starting point for developing the core team of the firm. Until that the entrepreneur had used various subcontractors to implement his smaller consultation type projects. The medical device project was not only a customer project, but an opportunity for starting the firm's own product development. For that purpose the firm also got funding from the Finnish Funding Agency for Technology and Innovation.

The first task for the entrepreneur was to build the hardware and software teams for the project, a medical device product development. After a long history in the mobile devices industry the entrepreneur relied on his professional position in the district and national level industry networks:

"In practice, the team was built from old friends with whom I have been working in my previous workplace. Our hardware team is pretty much that firm's hardware-team and our software-team came in when another firm cut down operations. When they fired people we hired them. In the software-team I didn't know everyone personally, but I had a manager who built the software-team." (The entrepreneur)

Soon the team grew with a sales unit when the entrepreneur took a partner to the firm. The partner had long history in mobile device business as well and had dealt with international operations for decades. He became the chairman of the board and the head of the sales unit. As he lived in the USA the sales unit was established in there and he brought his contacts to the network. In addition to the own team the firm used subcontractors from various fields to support the in-house product development. Because of the entrepreneur's strong professional

network in the area and in the industry the reliable subcontractors were relatively easy to find. Figure 3 illustrates the network of actors during the period.



**Figure 3.** The network actors and relationships in the team establishment period.

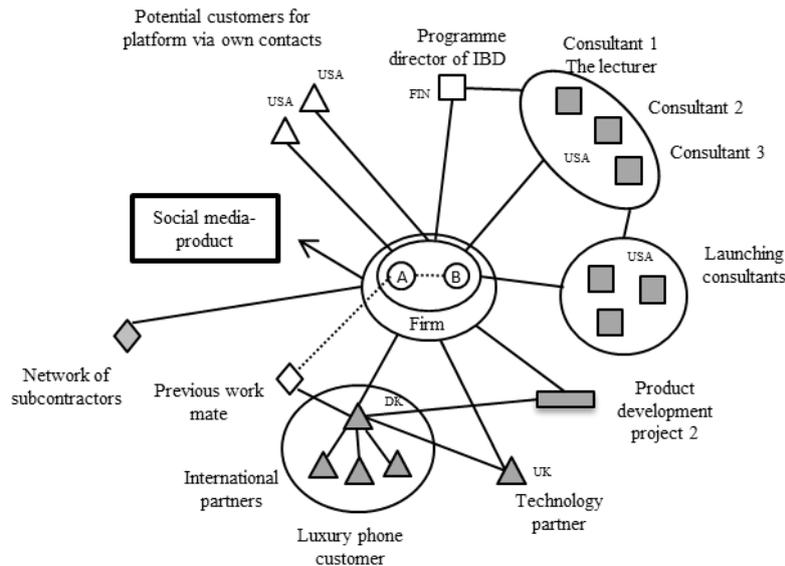
The main outcome of the period was the own platform product developed meanwhile completing the medical device project for the customer. Thus, during the period the entrepreneur was able to test his belief that even a small firm can produce own products for the mobile device industry.

During the period the network changed widely as the firm changed its business from consulting to product development. Also the role of the entrepreneur changed when he needed to become an owner-manager after having one man's company. The business developed on the basis of the entrepreneur's early vision of the most effective product development with a small, but a capable team. Therefore he was eager to start developing the opportunity when meeting the need of the potential customer. Even though the medical device project was very different from mobile device projects, he was able to develop it into a concrete opportunity for testing the business idea and developing the team for the firm. The major actions and commitments were done within the professional networks created in the previous career and the external facilitators provided a resource for product development.

#### EVENTS AND NETWORKS IN THE PERIOD OF COMMERCIALIZATION

In the second period two important issues happened. Firstly, the product launch in the USA took place via a business development program. Secondly, the firm got a luxury phone customer project. The period focused on the international commercialization aims for the firm's first product, the INV-platform. The chairman of the board became the other key actor in developing the international opportunities by taking the responsibility of firm's external relations and projects.

Following the development of the platform product in 2007, the entrepreneur and the chairman of the board decided to participate in an international business development program to accelerate the international launch of the product. The entrepreneur's main expectations from the program were to develop new business relationships, to acquire customer contacts and to launch the platform product into the international markets. Because it was the firm's first product, the entrepreneur was willing to develop the international market potential through the facilitation program and its networks (see Figure 4).



**Figure 4.** The network actors and relationships in the commercialisation period.

The program was divided into four phases over one year. The first two phases were held in Finland and the last two phases in the USA. First half of the program focused on providing information about international market expansion and three external, US consultants made a market-potential analysis for the participating firms. Even though the diagnostic role of the facilitation was beneficial, the entrepreneur and the chairman of the board felt a communication gap with the consultants; finding a common understanding of the platform product and the potential business concept for it was difficult. The representatives of the firm felt that their strategy did not fit the existing models that the consultants used. The product did not have a specific market segment waiting for to be found. However, the diagnostics of the consultants clarified the business strategy and gave new ideas and tools to develop the innovation commercially. The entrepreneur started to consider specific niche markets and search for brand partnerships.

The second half of the program was hosted in Silicon Valley, California. The phases consisted of a networking event and product launch early in 2008. The networking event was meant for brokering new relationships and was the main reason why the entrepreneurs participated in the program. In essence, they saw the opportunity as the potential of new customer relationships but were disappointed in the outcome in this respect. Therefore they organised some of their own meetings with the potential customers in the USA via their own old contacts. The networking event within the facilitation program, in turn, provided contacts for organizing the launch for the platform product in the USA.

The business development program was temporary by the nature and therefore the role was mainly instrumental for the firm. This short-term nature was also emphasized because the entrepreneur and the chairman of the board did not see the consultants very useful in actual business development due to the lack of contacts with potential customers and partners. The main outcome of the program was the product launch that, still, was important for the firm because it gave visibility in the markets.

Although the firm had small amount of resources, it was involved also into a customer project with social media product development during the period. However, the social media product did not break through and the project was deactivated, but not completely forgotten. The consultants in the international business development program had suggested that firm should focus on niche markets and to develop partnerships with brand product firms. However, the firm had not done differentiations strategy for the product. Around the same

time with launching the platform product in the USA the firm got a customer case with a Danish customer who wanted the firm to develop and produce a luxury brand cell phone.

”As a matter of fact, they found us when my previous workplace’s product development guys called us if we can make such kind of a project and then they guided the customer to us. ...Yes, I suppose that without those personal relationships we wouldn’t have got the case.” (The entrepreneur)

The recommendation led to the customer contacting the entrepreneur of the firm and soon a representative of the international customer came to visit the firm and negotiations started. After long negotiations and a demanding process to evaluate firm’s suitability as a supplier, a contract was concluded in 2008. The firm had the medical device as a reference case and the firm was able to define its subcontracting network. Due to the existing network and previous customers the small and new firm was able to convince the customer that it was able to produce a luxury phone for them. It was a collaborative product development project. The customer assembled a development group including designers from the luxury brand’s side. A UK technology house was involved in the product development and the entrepreneur happened to know the technology house and its representatives beforehand. Firm got also financing for the product development from an external facilitator (Tekes).

The project looked promising, had a good start and the firm put a lot of effort on the project involving the whole team of the firm. However, the project collapsed as the Danish customer decided to quit the project. That was against the contract that the firms had, but the entrepreneurs decided that there is no point for wasting time and resources for fighting for the rights. Instead, the entrepreneur started to look for a new opportunity. The firm had got some more evidence that developing its own product would be possible and the experience had provided new contacts. In that sense the period was beneficial in terms of international opportunity exploration, even though the luxury phone project itself failed.

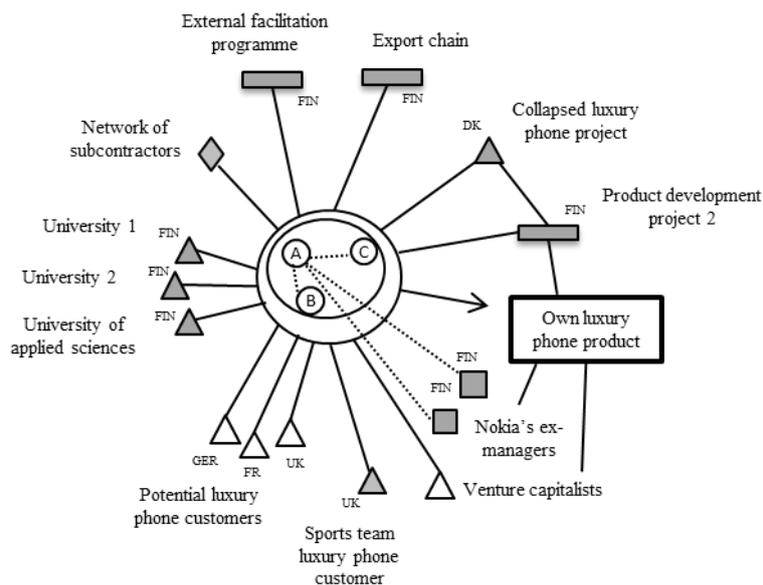
#### **EVENTS AND NETWORKS IN THE NICHE MARKET STRATEGY PERIOD**

As the customer project of luxury phone development collapsed, the firm accepted the loss and started immediately to look for new customers. The failed project opened a new opportunity for the firm through creating understanding of customer value and activities in the luxury brand niche. The luxury brand focus was an idea that the consultants from the USA had already suggested, but in that stage it remained only as an idea. The actors in the facilitation program were not able to open relationships in this niche. Now a luxury phone customer contact was developed through own professional networks and it connected the firm into a multinational network of project actors.

After getting the contract with the Danish luxury phone customer, firm had applied for funding for the product development from an external facilitation program (Tekes). When the firm gained the funding for the project, the project collapsed. The firm needed to find another customer so that they could complete the planned product development. The team had seen a business opportunity in the luxury mobile phone niche and did not want to act only as a subcontractor, but to develop own luxury phone. The opportunity and plan to develop a luxury brand product caused a change in firm’s strategic plans. Although the firm had a business development vision from consulting to sales of its own product, there was no plan of how to take the step from subcontracting to marketing its own product and developing a brand for it. As the sales manager stated, the luxury brand business has completely different rules from other businesses and learning these new rules was the focus when developing own luxury phone product and a related niche strategy.

*“Luxury marketing is very, very different to normal marketing, it breaks a lot of rules and it’s quite different...I think that has changed how we approach the market a lot and the way we approach selling this.” (Sales Manager of INV 2010)*

For the luxury phone niche the firm had expertise and some relationships to start with. In the niche the revenue was expected to be better than in bulk manufacturing and the small volumes were expected to be unattractive to big mobile phone manufacturers. Technologically the firm was capable of acting in the business, but the lack of contacts in the brand-led networks was a new challenge. Although the firm was technologically still in the mobile phone business, the international opportunity emphasized the brand. Therefore the relevant network changed (see Figure 5).



**Figure 5.** Actors and relationships in the niche market strategy period.

The entrepreneurs started to activate their existing professional, institutional and academic networks as well as the network of potential customers. The marketing manager was taken as the third core person in the team. He was responsible of new customer relationship development and also made a thesis about luxury branding as a part of his studies. The firm decided to develop own product but to focus on co-branding with high profile brands. The three key persons of the firm started to contact potential luxury brand customers from different fields, such as car manufacturers, watch manufacturers and sports teams. That was a way of learning the customer needs.

Representatives of the firm had discussions with consultants, export chains and other external facilitation providers about the development of its own brand as well as developing the luxury phone niche strategy. The external facilitation program for product development was indirectly involved in strategy planning as well and the subcontractors were crucial in developing its own mobile phone. The firm had various contacts and was involved in a few programs related to the markets of Russia, United Arab Emirates and France and got some basic knowledge and diagnostic services. However, the entrepreneurs were not satisfied with the end result of the programs as there was no real aim of offering brokering new customer or business partner relationships.

Despite previous experience in the mobile phone business the firm faced new challenges when starting the brand development. The firm needed to decide about how to develop marketing and sales, distribution channels and logistics chains for the products. In

addition, the firm needed to create a complete mobile phone with the technological and visual design. The firm started to search for venture capitalists. That was big decision for the firm and also set specific requirements for the firm's customer cases with the new product.

The firm did a lot of work to find brands which would be interested in co-branding a mobile phone. In this, the team used their professional relationships with the brand managers of well-known mobile phone manufacturers. The team also used universities as a source of knowledge and new ideas. For example the sales and marketing manager wrote a master's thesis about luxury brands, a group of business school students conducted market research related to the luxury brand and also the art and design faculty ran a project on luxury phone design for the firm.

In the end, the firm found a famous football team interested in the co-branding project. Developing relationships with the owners of luxury brands required strategic planning to find the most appropriate combination of a high profile brand and a brand owner interested in the concept of co-branding a luxury phone. The entrepreneur, the chairman of the board and the sales manager needed to think about the end user segment, the target brand profile and the luxury brand business logic rather than technological implementation, which was a huge change from the situation in the past. The sales manager, unencumbered by mobile phone R&D technology baggage, took the bulk of the responsibility for contacting the prospective high-profile brand partners. In fact, the new luxury brand relationships were developed from the beginning through frequent interaction with prospects. We can observe that the formerly technology-intensive firm changed the business environment it operated in and made its business strategy more marketing-oriented. In this business environment the technology was not as prominent as the design and image. The remarkable change in international opportunity was also that the opportunity was more focused. Therefore acting towards the opportunity development was also clearly targeted.

## **SUMMARY OF THE FINDINGS**

The international business development process of an international new venture can be summarised as follows. INV had two ongoing processes of business development. First one was the technological opportunity actualization process which was the starting point for the whole business. The platform product and its R&D process was the core of the INVs business and became a stable ongoing process of firm's business development. It provided stable income and customer base, but was also used as a resource for new opportunity development. Secondly, the INV had an emerging opportunity development process which was built on the existing resources, such as networks and knowledge that had been developed earlier. It also required activating the new, needed networks and resources to develop and actualize the new opportunities. Basically entrepreneur's acting in networks was the driver for both processes of international business development.

The ongoing processes of INVs business development happened in interaction between individual and network levels and created a cyclical process of international business development. As the INV had extensive experience in the industry gained from the production of mobile devices and from the international markets, the entrepreneur was the individual actualizing the technological opportunity and also networked to turn those into the business opportunities. In that sense, the acting in both technological and business opportunity development was entrepreneur driven. Networking with potential customers made it possible to experiment the business opportunity and through networking the entrepreneur was able to activate the needed resources to actualize the technological opportunity as a business opportunity. Basically, customers were the part of network, which brought the business element into the potential opportunity and made it possible to transfer

the emerging opportunity into business opportunity actualization. Networking was used to actualize the business opportunity for example by using the reference customers and activating existing, but currently passive networks. Even though the network had strong role in the business opportunity development, the entrepreneur was the actor who was driving the process.

Secondly, the INVs business development happened at network level as the emerging opportunities turned into stable opportunities and during the process the INVs network changed due to the activating the needed network actors. In the INV, an emerging opportunity was perceived as becoming stable basis for business if it was connected technological knowledge and background. Also the network related to technological opportunity was relatively stable set of subcontractors and professional contacts. The emerging opportunities were potential opportunities which could become stable ones in case if the emerging opportunity turned into the profitable business opportunity. The emerging opportunities had also emerging network and required activating the passive network or the network with the new relationships. That caused the network change as the emerging opportunity had different types of needs and requirements for the network. For example with the luxury brand opportunity the entrepreneur activated its technology-based network to create understanding of the luxury brand markets, new potential partners and customers to actualize the opportunity. In that sense, the emerging opportunity actualization happened in networks and the entrepreneur was only one actor in it. Not all emerging opportunities turn into the stable ones, but even though the cycle of stabilizing the emerging opportunity fails, the developed networks and knowledge are stored as passive resources which are able to be activated to develop and actualize the new opportunities.

Finally, the findings of the study can be concluded as follows. The INVs business development happens through four states of opportunity, namely through emerging opportunity, stable opportunity, technological opportunity and business opportunity. The four states of opportunities develop through entrepreneurs acting in networks at two levels. The emerging and stable opportunities are developing at individual level of entrepreneur's perception of international opportunity while the technological and business opportunity development are changing the network and happens at network level. Firm's business development is an expansive process which is an outcome of cyclical process of entrepreneur's networking behaviour in international opportunity development (figure 2).

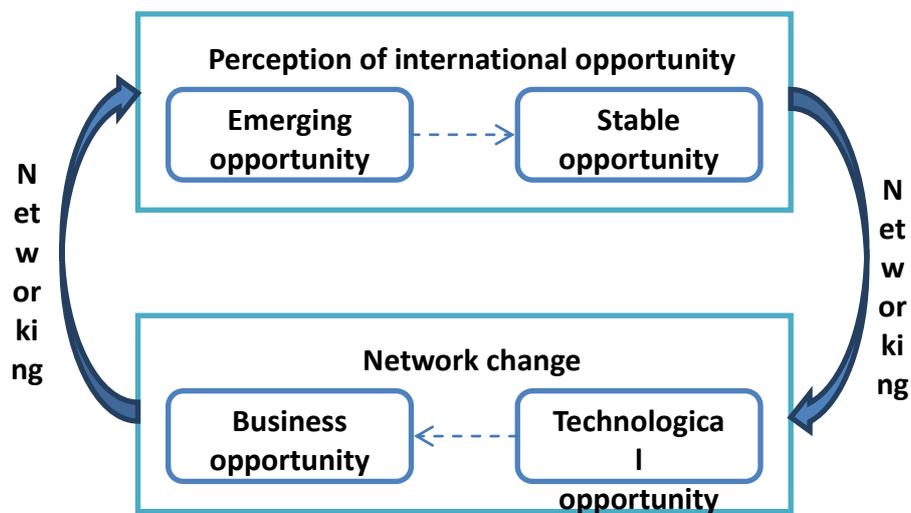


Figure 2. The networking based mechanism of INVs business development

## CONCLUSIONS

Entrepreneur and the entrepreneurial team are in the central role to create the network and resources for opportunity exploitation. The opportunity itself may have internal or external triggerer. In the entrepreneur's behaviour the difference is that the externally triggered idea and strategically new type of opportunity requires more networking in terms of developing new network contacts for the opportunity exploration. When the new opportunity is emerging from the firm's existing potential, then the requirements for the entrepreneur's networking actions and network change is tend to be less demanding.

Our exploratory case study emphasizes three specific issues of networking in the international new venture development and the related network dynamics. Firstly, the professional network of the entrepreneurs seems to provide a flexible tool for exploring new international business opportunities. Although the entrepreneurial team searches for new relationships through, for example, many business development facilitation programs, the development of its activities relies for the most on the professional relationships that have been developed in the previous careers of the entrepreneurial team members. In the use of the previous professional relationships is question about reliance on the expertise and knowledge of these persons. It is not really about friendships or unexpected opportunities arising from interactions with earlier unknown people as has often been emphasized in entrepreneurial venture creation research.

In the theoretical part we noted that the previous research on INV networks has tended to divide the relationships to strong (close, friendship-type) and weak (new, distant, acquaintance-type) relationships. However, the professional relationships, which the entrepreneurial team here relied on, were not really of either type. The relationships are personal, the persons have a common history and they know each other well but they are not depicted to be of emotional or intimate nature typical to friendships (e.g. Johannisson, 1988). Neither are these relationships to persons who would be active in more distant networks and to whom no previous personal connection existed as typical of weak ties (see e.g. Kontinen and Ojala, 2011). There seems also to be only limited mutuality of business interests that for example Coviello (2006) emphasized in her analysis of INV network development when depicting so called business ties in the network. Therefore, we suggest further research needed on the professional networks of the INV entrepreneurs instead of studying the strength of the relationships on the dichotomy of strong and weak ties. The catalytic ties might be of very different types and they seem difficult to simply categorize as Coviello (2006) also notes.

Secondly, we consider interesting in this use of the relationships how the professional contacts allow the temporary activation in need for assistance and then accept that the entrepreneur moves on to work with the opened up new connections. The networks in the three phases of development are significantly different from each other and there are several radical changes that take place. The entrepreneurial team seems to wholly discard wide parts of the network that they used in the previous period and put significant commitment on new relationships that support the strategic choices of the period. On that basis we claim the goal-oriented behaviours according to changing business opportunity development lead to purposeful, radical change of the relationship networks of an INV.

Many INVs are shown to start the businesses with a technology or product that is still under development and they might not yet know the opportunity they are after (see e.g. Schweizer et al., 2011). Therefore, the entrepreneurs need to be open to new opportunities and willing to even radically change the networks they act in to develop the emerging opportunities to business opportunities in the networks. Similarly to Johanson and Vahlne (2009) and Schweizer et al. (2011) we believe these kinds of developments be born in the

effectuation logics of entrepreneurial behaviour (Sarasvathy, 2001). To these logics belongs also the view that failures and threats can be turned as opportunities through partnering and networking. The effectuation logics of INVs would deserve further attention in the future research.

Thirdly, our case study emphasizes the goal-oriented and action-based intentional search for international business opportunities for the INV. For the entrepreneurs in question, the opportunity to be actualized consists of “*situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships*” as defined by Eckhardt and Shane (2003, p. 336). The entrepreneurs strongly believe in the set of means (resources, skills, knowledge) that they have or that they can access and get to use through their professional networks. In our case it is the technological means that define the entrepreneurs’ perception of the emerging opportunity and if it can be turned as a stable business opportunity through networking. This is the starting point for the whole process. They do then deliberately search for attractive ends (new international markets) and possibilities to develop new products needed in those markets. This process is similar to one described by Chandra et al. (2009) in their study of first time international opportunity discovery by experienced entrepreneurs of INVs.

However, our study also illustrates significant change in both the nature of the opportunity and in the networks on which the entrepreneurs rely over quite a short period of time. We consider it interesting that over a three year period the INV develops three different products as the outcomes of acting with different partners and customers. Simultaneously the ends, i.e. the international target markets, change their nature in important ways. The change from platform product to support R&D processes of technological firms, through medical device and social media application projects to own product for brand-based luxury phone segment means considerable changes to business logics of the INV.

The managerial contributions of the study can focus on two issues. Firstly, the managerial contribution of the study for the entrepreneurs lays in its depiction of entrepreneurs as intentional actors in international business development. Entrepreneurs should develop their views of the business in which they act and especially of the businesses in which the new exploitable opportunities might emerge or be enacted. The entrepreneurs should also be willing to change along the international opportunity development process.

In addition, the entrepreneurs should be conscious about their existing and potential networks and relationships and particularly about the role and value of those in terms of international business development. A new business with a new customer base and a new network requires an intensive learning process and during the process the risk related to the international business development increases. On the other hand the network can be a flexible tool for developing business opportunities and for developing new knowledge. Therefore, the role of different types of network actors in international business development should be recognized. The study suggests that the network actors with temporary collaborative contracts and in possession of expert knowledge might have a mainly instrumental role in knowledge and resource sharing. The voluntarily developed, personal networks provide knowledge but often also relevant contacts and are therefore a basis for new business opportunities.

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