

Effectuation and Networking of Internationalizing SMEs

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Abstract This paper explores previously discarded phenomena in the internationalization process literature, namely the non-predictive logic of foreign market entry, and employs effectuation theory to examine how small and medium-sized enterprises (SMEs) network during internationalization. It integrates effectuation theory with the revisited Uppsala internationalization process model to understand the unintentional aspect of networking by internationalizing SMEs. The research design is a multiple-case study approach. The findings show how entrepreneurs network with interested partners, instead of carefully selecting international partners according to predefined network goals. Entrepreneurs who network effectually enter markets wherever an opportunity emerges, and commit to network relations that increase their means. Network relations become an integrating point for effectuation theory from entrepreneurship research and the revised Uppsala model from international business. This bridge between the two areas suggests some implications for network research in International Entrepreneurship.

Keywords International SMEs · Internationalization · Effectuation · Networks · International entrepreneurship

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1 Introduction

A large stream of research in International Entrepreneurship (IE) focuses on the importance of network relations for the successful foreign expansion of small and medium enterprises, or SMEs (e.g., Chetty and Blankenburg Holm 2000; McDougall and Oviatt 2000; Young et al. 2003; Jones et al. 2011). Numerous scholars suggest that networks provide internationalizing firms with various tangible and intangible resources (e.g., Coviello and Munro 1997; Oviatt and McDougall 1994; Manolova et al. 2010). The strategic thinking behind this resource-based view of networks implies that partner selection follows the country choice, and is made as a purposeful response to the objective information gathered with regard to foreign network structures. The stream of literature on international partner selection also shows that internationalizing new ventures strategically choose foreign partners according to their portfolios, fit to the firm (Varis et al. 2005), and knowledge about local consumers, competitors, and networks (Lu and Beamish 2001).

In contrast, another stream of research provides evidence that the internationalization process often lacks strategic orientation (Frishammar and Andersson 2009). The rationale is that decision-making is done under conditions of uncertainty and goal ambiguity (Gabrielsson and Gabrielsson 2013) and the relationship component makes this process difficult to predict (e.g., Lee and Brasch 1978; Brown and Cook 1990; Ellis 2000; Ellis and Pecotich 2001). In employing predictive rationality concepts, these studies do not go beyond simply admitting the existence of this phenomenon and describing it in terms of “boldness in decision making” (Moen and Servais 2002, p. 59), “chance,” “serendipity,” “coincidence” (Meyer and Skak 2002), “random,” “opportunistic,” “non-systematic,” or “ad-hoc” internationalization treated as a “deviant case” and an “anomaly” (Ellis 2000). As evidence of such internationalization mounts, it cannot be dismissed as abnormal, and it is important to find new explanations to understand the phenomenon.

Our main objective in this paper is to examine networking under uncertainty during the internationalization process by integrating the Uppsala model of internationalization (Johanson and Vahlne 2009) with effectuation (Sarasvathy 2001, 2008). The two main research questions are: how do entrepreneurs make decisions about networking under conditions of uncertainty while they are entering foreign markets? Why do entrepreneurs commit to specific network relationships when entering foreign markets?

Effectuation theory, with its focus on non-goal driven logic, improvisation and leveraging contingencies (Sarasvathy 2001, 2008), has great potential to explain the unintentional aspect of networking by internationalizing SMEs (Bhowmick 2008; Mainela and Puhakka 2009; Gabrielsson and Gabrielsson 2013; Kalinic et al. 2014; Sarasvathy et al. 2014). In order to explore the abovementioned “anomalies”, effectuation logic provides a new lens to examine how SMEs employ networks during their internationalization. The effectuation approach, which helps to understand the decision-making logic under uncertainty, has been developing steadily within entrepreneurship theory during the past decade. It provides an alternative logic of reasoning to predictive rationality. Instead of the goal-oriented

reasoning of causal rationality, effectuation suggests a means-driven logic that goes beyond predicting an uncertain future (Sarasvathy 2001). Put simply, entrepreneurs using causation logic have a pre-determined goal and select resources to attain these goals. Conversely, those using effectuation logic start with a given set of resources, and then collaborate with willing partners to increase these resources to co-create goals. Thus, entrepreneurs using causation start with a goal (planned strategy), while those using effectuation start with their means and then create their goal (improvisation and exploiting contingencies).

We chose Johanson and Vahlne's (2009) revisited Uppsala model as the main theory of internationalization process for this paper because of the central role of business networks. They consider internationalization as an outcome of a firm's attempts to develop its positioning within a network. We build on emerging research that links effectuation and the internationalization process, especially the work of scholars who developed the original work for these two streams of literature, namely Schweizer et al. (2010) and Sarasvathy et al. (2014). Since effectuation and the revisited Uppsala model are rooted in behavioral theory (March 1991; March and Simon 1958; Simon 1959), the concepts of partnership, networks and commitments are central in both theories. These are the key concepts that we elaborate on to develop new insights on networking during the internationalization process.

This study contributes to the IE literature in three areas. First, it considers the phenomenon of internationalization as an entrepreneurial process. This perspective allows for combining the Uppsala model from International Business with the effectuation theory from Entrepreneurship, which conceptually advances the IE domain. While the Uppsala model explains the internationalization process at the firm level, effectuation theory helps to understand internationalization process at the level of decision-making of an individual entrepreneur. Integrating the two theories responds to a call for "fresh ideas and questions that might extend the understanding of IE as a phenomenon, and incorporate perspectives from other disciplines" (Jones and Nummela 2008, p. 350). Second, our study contributes to a very embryonic stream in effectuation research that explores effectuation principles in an internationalization context (Laaksonen et al. 2010; Andersson 2011; Harms and Schiele 2012; Kalinic et al. 2014). It does so by showing how entrepreneurs use and expand the 'who I know' (networks) aspect of their means in foreign markets. Third, we contribute to network research in IE by deepening our understanding regarding the dynamics of entrepreneurial networking as a process, and by the means of qualitative methodology (Hoang and Antoncic 2003; Slotte-Kock and Coviello 2010; Jack 2010).

Regarding the structure of this paper, the next section outlines the theoretical framework for this research. Later, the methodological section provides details on the multiple-case study approach employed. This is followed by a discussion on the findings from the cases. Finally, the article ends with conclusions and implications, and provides directions for future networks research in IE.

2 Theoretical Background

2.1 Network Approach in International Entrepreneurship

The network approach to the internationalization of SMEs is recognized as one of the most established theoretical foundations of the IE field (Young et al. 2003; Keupp and Gassmann 2009; Jones et al. 2011). In this paper, IE is defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt 2000, p. 903).

From the perspective of the resource-based view, different types of relation are essential for the foreign expansion of small firms that often lack, and often do not own, their foreign assets (Oviatt and McDougall 1994; Dimitratos and Plakoyianaki 2003; Madsen and Servais 1997; Agndal and Chetty 2007). Thus, networks help to obtain financial resources, new capabilities, and knowledge about foreign market and institutional structures (Yeung 2002; Wright and Dana 2003, p. 142; Keupp and Gassmann 2009, p. 616). In addition, network relations serve as governance mechanisms that secure international transactions through trust and moral obligations (Oviatt and McDougall 1994; Etamad 2004). However, network relations (both foreign and domestic) may also inhibit internationalization efforts and result in high risks, network rigidity, liabilities, and negative effects on a firm’s development (Coviello and Munro 1997; Mort and Weerawardena 2006, p. 567; Sasi and Arenius 2008).

Overall, the network view of SMEs’ internationalization does not focus on foreign market entry mode selection and decision-making. Instead, it looks at the character and number of business relations, and indicates the importance of their coordination, development, and the building of cooperative relations with network actors (Axelsson and Johanson 1992; Blankenburg Holm 1995; Blankenburg Holm et al. 1996; Nakos and Brouthers 2002). In addition, the network approach has instigated significant changes to one of the most influential theoretical foundations in international business, known as the Uppsala internationalization process model (Johanson and Vahlne 1977).

2.2 Network Concept in the Revisited Uppsala Model

In the initial Uppsala model, Johanson and Vahlne (1977) focus on market knowledge and market commitment. The rationale is that as firms acquire more knowledge of foreign markets they commit more resources to those markets. Firms initially start internationalizing in countries that have close psychic proximity and then gradually, as they acquire market knowledge, they progress towards more distant markets. The mode that firms use in internationalization also progresses towards greater resource commitment. Firms start with ad hoc exports, then replace this with their own sales subsidiary and, eventually, foreign direct manufacturing.

In their later work, Johanson and Vahlne (2003, p. 93) acknowledge the increasing role of network relations in the internationalization process. They

maintain that a network perspective on internationalization deals only with the managerial problems of building and developing relations with network actors; therefore, it is nothing but “a general expansion of a business firm.” Entry barriers are not associated with country-specific borders but are related to the establishment of new contacts and their exploitation (Wright and Dana 2003). Furthermore, in the revisited Uppsala model, Johanson and Vahlne (2009) show that barriers to internationalization no longer deal with the psychic distance and liability of foreignness, but are associated with the network position in a foreign market and the liability of outsidership. Internationalization is the process of embedding into a corresponding network structure of a foreign market and acquiring an insider position. As Johanson and Vahlne (2009, p. 1411) state, “insidership in relevant network(s) is necessary for successful internationalization, and so by the same token there is *liability of outsidership*.” They propose that the greater the psychic distance of a new market, the more difficult it is to create new relationships because of the liability of outsidership. Hence, partners inside the new market will provide firms with the opportunity to become insiders.

The underlying logic of the revisited Uppsala model is bounded rationality (Johanson and Vahlne 2009, p. 1412), which is the opposite of mathematical rationality as optimization. It implies that an individual’s abilities to make optimal or, at least, satisfactory decisions is limited by the cognitive limitations of their minds, environmental conditions of information isotropy, and the lack of resources (Simon 1959, 1991). According to Gigerenzer and Selten (2002), bounded rationality builds on “satisficing,” or the process of searching for satisfactory alternatives through non-optimizing procedures, and through aspiration adaptation based on the goal vector and qualitative expectations relating to the direction of change. In the decision-making process, bounded-rationality agents tend to employ solutions that were successful in the past and avoid solutions that failed (March 1981).

Building on this logic, the following features of network relations in the revisited Uppsala model are highlighted. First, according to Johanson and Vahlne (2009, p. 1425), trust in network relations is important for the internationalization process because it helps in acquiring an insider position in a foreign network. They indicate that “a sense of trust implies an ability to predict another’s behaviour” and supposes positive intentions (p. 1417). However, building trust is not perceived as a goal in international business networks; it is rather a lubricant for other activities inside these networks. Second, while network outsidership is the root of uncertainty, the authors state that their new model is not supposed to be treated as one of uncertainty avoidance (p. 1418); rather, they suggest that uncertainty should be overcome by creating new relations, strengthening existing ones, building trust in them, and learning about partners (pp. 1411, 1423). Third, although bounded rationality accepts unintended strategies, the revisited Uppsala model mentions network coordination. As stated by Johanson and Vahlne (2009, pp. 1416, 1426): “international business network coordination will become an increasingly important phenomenon with strong implications for firm-specific advantage as well as for internationalization.” This coordination is achieved by beneficial network position, which becomes the key aspect of the revisited Uppsala model. However, this differs

from the concept of network position from a strategic network view. Instead of linking network position with structures of relations that are purposefully arranged according to desired resource flows (Jarillo 1988, 1995), it relates just to the results of previous business activities and commitments of the firm, or its management. Hence, network position is viewed as an outcome of a firm's activities and not as a goal.

2.3 Network Concept in the Effectuation Approach

Sarasvathy (2001) terms causation as the rational and predictive logic of reasoning, which is opposed to what is termed effectuation, or non-predictive logic. Causation and effectuation are the constitutive parts of entrepreneurial reasoning, and they are constantly present in all entrepreneurial activities (Sarasvathy 2001, 2008). In this dichotomy, "causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (Sarasvathy 2001, p. 245). Effectuation theory is based on five principles: means-driven instead of goal-driven action; leveraging contingencies instead of exploiting pre-existing knowledge; affordable loss instead of counting expected returns; partnership instead of competitive analysis; and controlling the uncertain future instead of predicting it (Sarasvathy 2001, 2008). Effectuation is not positioned as a "better" logic of reasoning, but as being more applicable in situations of uncertainty and when dealing with spheres of human action (Sarasvathy 2001, p. 249), such as networks. In this paper we focus only on one effectuation principle, the principle of partnership instead of competitive analysis, as a display of effectual logic in the networking of internationalizing SMEs (see e.g., Wiltbank et al. 2009 who also focuses on one effectual principle of affordable loss).

The network relations of entrepreneurs represent one of the central aspects of the effectual process. Entrepreneurial relations represent the starting point for effectual action because they constitute the "Who I know?" part of the means set. Furthermore, they are essential for the effectual process to unfold because of its underlying principle of partnership and commitments rather than competitive analysis (Sarasvathy 2001; Read et al. 2009a). Instead of conducting extensive and expensive research of preselected markets, effectual entrepreneurs work jointly with all interested stakeholders, "be they early partners, customers, suppliers, professional advisors, employees, or local communities" (Sarasvathy and Venkataraman 2011, p. 126). Through these interactions, they co-create the structure of a new venture and define what markets to enter or what new market to create (Sarasvathy 2001, p. 252; Read and Sarasvathy 2005; Dew et al. 2011).

Effectuation scholars introduce the notion of *effectual networks*, which are composed of various stakeholders, such as customers and distributors, who are committed to creating the new venture and sharing risks (Sarasvathy and Dew 2005, p. 542; Read et al. 2009b, p. 574). Instead of having a specific goal to drive their partner selection, entrepreneurs network with all and any interested actors to

increase their means for opportunity discovery (Wiltbank et al. 2006, p. 992, 2009, p. 117). It differs from the causal process of partner selection: “in effectuation, clear goals do not drive the stakeholder selection process—i.e., the goals of the new venture or the predicted features of the opportunity do not drive who comes on board. Instead, who comes on board drives what the goals of the enterprise will be” (Sarasvathy and Dew 2008: 729). Sarasvathy and Dew (2005, p. 548) indicate that effectuation as a characteristic of entrepreneurial relations prevails during the early stages of venture development, whereas later on, effectual networks become more goal-oriented as they grow and include more partners and available resources.

The non-predictive nature of effectual relations provides an opportunity to present several implications with regard to their characteristics. First, trust as a risk-taking behavior built on expectations about partners and as a mechanism to avoid opportunism (Mayer et al. 1995, p. 712) changes its nature in effectual networks. “Theoretically speaking, effectual logic does not require any particular assumption about trust *ex ante*” (Sarasvathy and Dew 2008, p. 734); however, *ex post* trust can be found in effectual networks empirically. Although effectual entrepreneurs do not act according to the given end state of their future network, they have a general aspiration to build workable relations and seek to shape and re-shape the future behaviors of other stakeholders. Effectuators act under conditions of information deficit and cannot determine whether interested stakeholders can be trusted. Consequently, they follow the “intelligent altruism” principle and invest in relationships something they can afford to lose. This process is consistent with that of trust building.

Second, effectuation approach acknowledges the high level of uncertainty in effectual networks due to their unstructured nature and undefined goals (Sarasvathy 2001; Sarasvathy and Dew 2005). In general, effectual entrepreneurs act under the conditions of high environmental uncertainty, but try to leverage it in order to produce unexpected results and thus new opportunities (Sarasvathy 2001, 2008). Although effectuators take advantage of contingencies, they try to control uncertainty through network commitments. Thus, the effectual entrepreneur “uses pre-commitments to reduce uncertainty, minimize costs of experimentation and maintain flexibility” (Chandler et al. 2011, pp. 386–387).

Third, through the chain of effectual commitments, stakeholders form an effectual network (Sarasvathy and Dew 2005, p. 542; Wiltbank et al. 2009, p. 120; Read et al. 2009b, p. 583; Chandler et al. 2011). This network is flexible to change but cannot be fully coordinated because entrepreneurs cannot know the motives of other actors (Sarasvathy and Dew 2005, p. 557). Although the effectuator “seeks to influence and shape the future, including the future behavior of other stakeholders” (Sarasvathy and Dew 2008, p. 729), coordination of stakeholder relations takes the form of co-creation (Sarasvathy and Dew 2005, p. 557; Wiltbank et al. 2009) through self-selection and intelligent altruism, which are the organic mechanisms of effectual network formation (Dew and Sarasvathy 2007, p. 275; Sarasvathy and Dew 2008, p. 729).

2.4 Comparison of Network Concept in the Revisited Uppsala Internationalization Process Model and Effectuation Approach

In order to achieve theoretical rigor when combining different theories, it is essential to establish complementarity and examine the “interactive effects” of these theories (Bello and Kostova 2012, p. 541). Therefore, this section focuses on outlining commonalities and differences in the assumptions about network relations of the revisited Uppsala model and effectuation. Schweizer et al. (2010) argue that internationalization resembles the entrepreneurial process, and subsequently develop the synthesized Effectual Uppsala model that brings together effectuation and IE (Sarasvathy et al. 2014). Johanson and Vahlne (2009) indicate that the revisited Uppsala model is consistent with the entrepreneurial theory of effectuation. They argue that “the effectuation process has much in common with our internationalization process model including similar environmental characteristics, a limited number of available options, incremental development, and an emphasis on cooperative strategies” (Johanson and Vahlne 2009, p. 1423). Furthermore, both the revisited Uppsala model and effectuation theory build on the process-based view. For the former, it is a non-deterministic process of foreign expansion (Johanson and Vahlne 2009, p. 1412); for the latter, it is the entrepreneurial process of creating a new venture (Read et al. 2009a, p. 4).

While Sarasvathy et al. (2014, p. 80) acknowledge several similarities; they identify two critical differences between the Uppsala Effectuation model (Schweizer et al. 2010) and the effectuation model, as follows:

First, the effectual process involves several cycles of interactions between stakeholders. Second, opportunities are not taken as given or exogenous to the process in effectuation ... [emphasizing] the impact that stakeholder self-selection in the effectual process has on the formulation of new ends. These new ends then constrain and enable future courses of action available for the new venture and its internationalization process. We believe that using a state-variable or change-variable framework [refer to Schweizer et al. 2010 model] precludes a non-teleological depiction of the process. Put more simply, when we view the world through the lens of state or change variables, we eliminate room in the model for purpose (i.e., teleology) and how that evolves and changes over time. (p. 80)

Our paper identifies several commonalities and differences in the two theories and, in particular, in their understanding of network relations. First, internationalization resembles the entrepreneurial process and is related to risk taking, opportunity creation, and exploitation (Schweizer et al. 2010; Sarasvathy et al. 2014). Similarly, Jones and Coviello (2005, p. 284) state that internationalization is an entrepreneurial process; this makes causation and effectuation relevant to analyzing firms’ internationalization processes (Harms and Schiele 2012). Internationalization and effectuation share a common problem space because they both include Knightian uncertainty (“it is impossible to calculate probabilities for future consequences”), goal ambiguity (“preferences are neither given nor well ordered”),

and environmental isotropy (“it is not clear what elements of the environment to pay attention to and what to ignore”) (Sarasvathy 2008, p. 70).

Second, according to Johanson and Vahlne (2009, p. 1425), the internationalization process starts with knowledge and a firm’s relations. Similarly, the effectuation process starts with means, including “what I am,” “what I know,” and “who I know;” in which the “what I know” component of an effectuator’s means relates to knowledge and “who I know” implies network relations (Sarasvathy 2001, p. 253; Wiltbank et al. 2009, p. 991; Read et al. 2009a, p. 4). Thus, the two theories have almost similar starting points. It can also be seen that the “who I know” aspect of the entrepreneurial set of means is similar to the concept of network position employed in the revisited Uppsala model. However, there are some differences that need to be pointed out. While Johanson and Vahlne (2009) discuss the concept of network position mainly from the business network perspective at the firm level, “who I know” in effectuation theory includes three levels: (a) the individual level in the form of social networks; (b) the firm level in the form of organizational resources; and, (c) the level of the economy in the form of socio-political institutions (Sarasvathy 2001, pp. 250, 253). Hence, Sarasvathy’s “who I know” component of effectual means is a broader concept than that of the firm’s network position.

Third, both theories emphasize the critical role of commitments in network relations. Thus, in the revisited Uppsala model, mutual commitment is defined as “the product of the size of the investment times its degree of inflexibility” (Johanson and Vahlne 2009, p. 1412). Commitments are important for the learning process and accumulating knowledge about foreign markets. In effectuation theory, commitments among stakeholders are also central to the effectuation process; they represent the building blocks of the effectual networks (Sarasvathy 2008, p. 109). However, in the revisited Uppsala model, commitments lead to building trust and avoiding opportunistic behavior (Johanson and Vahlne 2009, p. 1414). In turn, as shown earlier, effectuation theory sees trust as a theoretically irrelevant concept (Sarasvathy and Dew 2003, 2008, p. 734) and the mechanism of intelligent altruism in effectual commitments “eradicates the need to overcome opportunism by merely making it irrelevant to the creation of new markets” (Sarasvathy 2008, p. 119). Although pre-commitments help to control uncertainty, they are used to create more space to leverage contingencies and experimentation (Chandler et al. 2011, pp. 386–387).

Fourth, both the revisited Uppsala model and effectuation consider opportunity development through networks to be the main trigger of the process. According to Johanson and Vahlne (2009, p. 1420), however, opportunities are both discovered and created. This means that some exist in the outer environment, waiting to be discovered and exploited. In effectuation, opportunities are only created and, more specifically, co-created by any and all interested stakeholders because nothing in the environment is given as exogenous (Sarasvathy 2008, p. 73; Wiltbank et al. 2009; Dew et al. 2009; Read et al. 2009a). Furthermore, while the Uppsala model mentions opportunity discovery and creation at the firm level, effectuation highlights opportunity creation at the level of an individual entrepreneur.

Our comparison shows that despite some differences the revisited Uppsala model and the effectuation approach have much in common in understanding network relations (see Table 1). Thus, effectuation can complement the revisited Uppsala model and help to explain the above stated anomalies in SMEs' foreign expansion. The integration of the two models can help to capture both networking and opportunity development during the early phases of internationalization by SMEs. It also fulfills the need to bring more entrepreneurial theories to strengthen IE research (Jones et al. 2011).

3 Methodology

Qualitative methodology is coherent with the inductive and exploratory course of this study, which uses the theory of effectuation as a foundation to address a research gap in internationalization theory (Gummesson 2000; Denzin and Lincoln 2000; Pratt 2009). Since effectuation has been recognized as a nascent theory (Perry et al. 2011), qualitative methodology is appropriate for this stage of the theory development (Edmondson and McManus 2007). Similarly, the case study approach has been applied in other studies applying effectuation principles to the internationalization process (Schweizer et al. 2010; Gabrielsson and Gabrielsson 2013; Kalinic et al. 2014; Sarasvathy et al. 2014).

An exploratory multiple-case study approach has been employed, which is a relevant choice for several reasons. Case study strategy gives a certain meaning to

Table 1 A comparison of networks as used in the revisited Uppsala internationalization process model and the effectuation approach

	Networks in the revisited Uppsala model (Johanson and Vahlne 2009)	Networks in the effectuation approach (Sarasvathy 2001, 2008)
Problem space	Uncertainty, lack of resources and information	Knightian uncertainty, goal ambiguity, and environmental isotropy
Type of model	Emphasis on process; state and change	Emphasis on process; expanding cycle of resources and converging cycle of constraints
Commitments	Commitments are important in the network-building process and learning about foreign markets	Commitments are the building blocks of effectual networks; they help to control uncertainty and leverage contingencies
Opportunities	Opportunities are both discovered and created through networks at the firm level	Opportunities are not given as exogenous but are created and co-created together with other stakeholders at the level of an individual entrepreneur
Trust	Building trust in relations is one of the key issues in internationalization	Getting involved with "who I know" presumes some <i>ex ante</i> trust; <i>ex post</i> trust can be found empirically
Uncertainty	Building new relations and strengthening existing ones help to reduce uncertainty caused by outsidership	Uncertainty is controlled by pre-commitments
Coordination	Network relations can be coordinated	Network coordination through co-creation

the phenomenon because it introduces local context and situational constraints (Yin 2004; Stake 1995). Attention to detail, nuance, and interdependency provides a holistic perspective on the phenomenon being studied, and reveals a comprehensive picture of its nature in totality (Yin 1981, 2004; Verschuren 2003). In addition, it is a strong methodological strategy for the research of sparsely investigated issues and theory development (Eisenhardt 1989; Marshall and Rossman 1999; Jensen and Rodgers 2001; Remenyi et al. 2002; Eisenhardt and Graebner 2007). The nature of this research is inductive as it does not intend to test any new propositions or hypotheses, but rather aims to extend the extant theory of effectuation.

Since information from multiple sources provides a more comprehensive and detailed understanding without chance associations (Yin 1994, p. 45; Stake 1995, p. 4), this study is based on seven cases of SMEs from Finland that have established international operations. The selection of seven firms falls within Eisenhardt's (1989) suggestion for the appropriate number of cases, which is between four and ten, because it is enough for analytical generalization without creating an unwieldy volume of data (Yin 1994; Patton 1990). While the context of this study is the internationalization process of Finnish firms to Russia, during the interviews they mentioned their entry and expansion into other foreign markets. Since Russia is a turbulent foreign market filled with uncertainty, it provides the opportunity to capture the phenomenon of effectuation during the internationalization process. Furthermore, there is a dearth of studies on SME entry into the Russian market so this study makes a useful contribution to the literature. Consistent with Pettigrew (1990), Eisenhardt and Graebner (2007) and Eisenhardt (1989, p. 537), selecting extreme cases for theoretical insight makes the phenomenon of interest "transparently observable".

Replication logic and purposeful sampling was employed to select the case studies, which means that the cases were selected for a specific reason and have a special significance in the study (Yin 1994; Stake 1995, p. 4). The criteria for selecting the case firms were SMEs with less than 250 employees, which is a definition in the European Union (European Commission 2003, p. 5), international operations, and willingness to participate in the research. After examining the internet profiles of several companies, ten firms were invited to participate that were considered to be suitable for this study, with seven of them agreeing.

In order to avoid the bias of only observing effectual logic in networking during the internationalization of the selected firms, general questions were asked first regarding relationship establishment in the internationalization process, with effectual networking being focused upon later in the interviews. For instance, effectual networking was revealed from the stories about spontaneous and unintended partnership. In total, seventeen semi-structured interviews were conducted with the founders and/or managers responsible for internationalization from these seven firms. During data analysis, which began during the interview process, all firms provided evidence of employing effectual logic of networking during internationalization to some extent (see Table 2).

This multiple-case study involved semi-structured interviews with an interview protocol employed for guidance. The topics covered in the interviews related to networking activities and their impact on the internationalization process. Each

Table 2 A profile of the firms in this study

Firm's industry	Year of firm's inception	Year of initial internationalization	Number of employees	Number of foreign markets	Mode of internationalization
F1. Software for optical reader	2006	2007	130	21	Subsidiaries Sales offices
F2. Turnkey luxury interiors for the cruise ship industry and architectural buildings	1987	2008	90	1	Sales office
F3. Facilitation and corporate training	2003	2007	7	5	Subsidiaries One joint venture
F4. Fashion garments and accessories	2005	2010	5	1	Sales office
F5. Supplier of equipment and coating technology	2005	2007	60	25	Subsidiaries Sales offices
F6. Business consulting	1993	2007	24	1	Subsidiary
F7. Design of climbing equipment	2004	2005	2	14	Official representatives and dealers

interview lasted between 60 and 90 min, was recorded, and later transcribed. In order to avoid validity problems related to multiple fieldworkers and separating data collection from data coding (Miles 1979), data collection and interview transcribing has been done by one person, one of the authors of this article. Informants were made aware they were being recorded. Those who wanted to know the questions before the interview were sent them via e-mail, together with a general description of the project. During the interviews, some respondents wanted to draw diagrams of their network relations in order to provide more illustrative information. These drawings were later used to organize and analyze the data.

To ensure the reliability of responses during interviews, some techniques proposed by Huber and Power (1985) were employed. In addition to primary sources of information, secondary sources in the data collection process were included. These contained general information about the individuals to be interviewed, the history of their companies, core businesses and products, and their main clients and suppliers, which were found from the companies' websites, industry-associated websites, and other available press releases. This information was used to both prepare for the interviews and to validate the information obtained during the interviews (Cassell and Symon 1994). Data triangulation was achieved by comparing information obtained during the interviews with information from the secondary sources. For example, in case F5 we used the company's brochures and their internal Power Point presentations to check the content of business relations that the respondent described in the interview. The interview transcripts, and drawings that respondents produced during the interviews, were combined with the

secondary evidence to produce a detailed description of the entrepreneurs' networks. The findings were validated through the feedback to the research sites (Miles 1979); the interview transcripts were sent back to the respondents for additional verification to confirm the accuracy of the information. Furthermore, some of the relevant findings from this study were exposed to questioning when presented at different industry seminars.

During data analysis, the accuracy of interpretations was checked by other independent scholars in the related field through presentation and discussion of the preliminarily findings at research seminars. The data analysis included within-case and cross-case displays, field notes, matrixes, tables, and networks in order to find patterns and themes in the data (Miles and Huberman 1994). The analysis initially included identifying the key themes in the literature, which were refined and revised against the emerging data. During the analysis process these key themes were given descriptive codes, which were searched for in the transcripts and secondary data and were as follows; networking processes, logic, trust, risk and uncertainty, and coordination. The next section presents the results of this analysis.

4 Case Studies

4.1 F1

F1 is a small firm from Finland founded in 2006. It produces special software for optical readers, which use mobile phones/devices to add any electronic information or systems to printed products and to electronic information on screens. At the time of data collection, it had 100 people employed in the home country and 30 abroad. The internationalization process for the firm started immediately after start-up; nowadays, it is operating in more than 20 countries. The following narratives from the interview with the founder of F1 illustrate the firm's internationalization and networking during this process.

When asked about how the firm started, the answer was: "I cannot say that there was something started. I don't feel that something started ... there was no first country. No, we don't work that way. We've never targeted any country, we've never chosen any strategic issue, we've never focused. We don't try to build a highway up to the top of the mountain and then buy a Mercedes and drive to the top. It happened because we had some contacts in some places; life brought us there..."

He explained the importance of "who you know" and the means-driven approach to entering Russia as follows: "We entered Russia without making the effort we should have made. The contacts that brought us there were outside; these key people are not directly there. We started in Lithuania, and those people in Lithuania happened to have close relations with our Russian partners. So, they brought us to that sector... The main point is that we never intentionally, strategically planned that: 'Now we should establish subsidiary in Moscow,' 'Now we should go Ekaterinburg, St. Petersburg,' no... The subjective side of business is more important. We need to find people, not companies, not structures."

Networking with unknown partners involves a coexistence of adventure and uncertainty, and being open to unexpected opportunities: “And I would not call this networking risky. I see more fun! It is fun but without stressing the entertainment side. It is very serious. You can only trust your partner later when you have worked together and know the reason for your partnership. But in the beginning there is no real trust, maybe only on some general level.”

4.2 F2

F2 is a Finnish SME that produces turnkey luxury interiors for the cruise ship industry and architectural buildings. It was founded in 1987, and its solutions find application in luxury sea liners, shopping areas, business centers, hotels and restaurants. F2 employs 50–90 workers and uses subcontractors. In 2009, the annual turnover of the firm was 11 million Euros. At the time of the interview, F2 had expanded only to Russia.

The following narratives are from the interview with the business manager responsible for Russian markets. They illustrate the means-driven approach to networking during internationalization to Russia, i.e. “what I know,” “who I know,” networking processes and trust-building. In addition, they illustrate the importance of a wide network in creating new opportunities: “We did not conduct any market research before making the decision to enter Russia. I know so many Finnish firms that have already started their business in Russia and we have a very close connection with them. Everybody knows something which you don’t know, and you don’t realize that this is important, but sooner or later you do. If you have a wide network it is like fishing: something always comes up. This is the net and in this net I use a lot of my intuition because there are many unplanned things. Every time when I have, let’s say, a feeling that a person can be interesting for business I just go and say ‘Hello, I’m from Finland. What are you doing? What is your business?’ And if there is something, it might be a connection.”

The following narrative shows that by networking with all and any interested stakeholders, entrepreneurs place new relations into the stock of their means that can be activated in the future. It takes time to learn about “who you know”, and this leads to uncertainty about how the relationship will develop: “I don’t think this kind of connection can be risky because you don’t open all the cards in the beginning. There are no right or wrong persons; they are just connections which may be useful someday... Someday something will be very useful and bring an opportunity... You cannot fail because you cannot know in advance which is the right connection and which is not. Of course, you need to have some level of trust to connect with potential partners. But it is not like you know them for a long time.”

F2 illustrates the challenges of coordination in balancing causal and effectual networking, as the entrepreneur explains: “I try to coordinate my networking somehow. I have a very big list, companies, people, happenings, events. This is what I plan. Of course, it is normal to plan but the more you plan the more things change. I don’t have clear plans about my network, I just have a vision.”

4.3 F3

F3 is a small Finnish company founded in 2003. Through meetings and workshops, it provides training and facilitating services for various companies and teams wishing to enhance their competences, creativity, team commitment and problem-solving skills. Currently, F3's team has nine people, four of whom work outside Finland. The company has its branches in five countries. One of the founders of F3 shares some thoughts about the company's internationalization and foreign networking. The following narrative shows how the entrepreneur was open to unexpected relationships, and thereby discovered opportunities through networks: "For us, people came first. The geographical destination was the second thing. We actually had many contacts coming to us and asking about doing business together. Our first country was Germany. We didn't specifically plan to go there. We actually had some contacts in Berlin, but we met them at a conference in Moscow. We started with having fun at that conference and drinking together. And then they got interested in expanding their business model, and they wanted to start business with us. This was not a strategic planning... to choose the country and then network there... We have a very spontaneous type of network... We're a very spontaneous company, very spontaneous people, we're not organized, and perhaps we're not a very good company. Commitment becomes a big challenge in these spontaneous relations... because nobody is forced to join and stay; there is so much freedom, no clear goal and no expectations. There is only vision of what we can possibly do together and motivation... This requires an open mind, transparency and willingness to share."

Another founder of F3 also shares his thoughts about the difficulties of international networking and building trust in relationships: "It is hard to say whether our networking activities are planned. Things just happen. I don't see much of risk in it. The only thing is that this networking with whoever is interested takes so much of my time. Sometimes I want to get rid of my contacts... and you need to establish trustful relations with them, it takes time and emotional energy. Of course, there is some professional trust in the beginning. Then you just hope to build personal trust to keep on working together."

4.4 F4

F4 is a small Finnish firm founded in 2005. It designs and produces headwear, scarves and accessories. The products are made in different parts of Europe and finalized in Finland. Currently, the team has six people, four of whom are partners owning shares of the firm, while the other two are hired trainees. While F4 has a wide network, it has to actively maintain these relationships to retain them in the hopes they may eventually be of use. The firm has a sales subsidiary in Russia.

Their expansion into Russia was not planned, but was rather a vague intention. It is a current trend for Finnish firms to expand into Russia as the two countries share a border. As one of the founders of F4 states: "We never did any market research about textile and design industry there. There was no strategic decision. Through a third person, we got one guy who was looking for an internship so we employed

him. It happened that he had a Russian background; he spoke Russian and had connections through his family with key people in the Russian textile industry and some trade associations. Once he started at F4, we began to think that through him we could find some opportunities in the Russian market. But all this internationalization started unexpectedly, only because of this guy.”

The following narrative illustrates the effectual and causal nature of networking: “We have developed a strategic list of potential clients and retailers, and we try to network according to this list. But often finding good partners is a matter of intuition: it is a matter of feeling. Things go in a really unpredictable way. I really don’t know how they go... It is complete chaos... Things roll like a snowball; nothing is clear at this point... Things just happen, we don’t plan them. It is hard to trust your potential partners in this situation. But we have kind of general trust in people, so we are optimistic about them even before we have any business together. More trustful relations develop when you have an established relation, you commit to it, and others just trust you more.”

4.5 F5

F5, founded in 2005 in Finland, is a supplier of equipment and coating technology for global markets. It develops applications and equipment for clean-tech and renewable energy fields, especially in glass, solar and emerging thin film markets. It also offers complete coating services. By the time of the interview, F5 had sales offices in 25 countries and employed 60 people. Below are excerpts from the interview with Marketing Manager Russia of F5, who is also responsible for internationalization activities. He shows that networking during internationalization often does not have any goal, and that relationships develop organically: “We are not really active in expanding our network anyhow in a conscious way. The network expands because we just do things. We do not say ‘OK, now we’re directing to London or somewhere else’. It is somehow very natural. Our existing connections bring new connections; some of them are not active, but we use them when needed. For example, I have a good contact with one person from my previous job; by accident his father happened to be one of the inventors of the coating technology that we are using now in F5. So, his father knew all the key people in Zelenograd Science Park in Russia. So, it was kind of luck that we knew that person; through him we brought our business to Russia. Also, a lot of trust comes from these personal relations.”

The interviewee also mentions that unexpected relationships can bring new opportunities, and causal and effectual networking is intertwined with more goal-driven partnerships: “When F5 decided to expand to Russia, I developed a network plan that contained the key organizations and people to contact, and the main exhibitions and network events [in which] to participate. This was strategic. But every day there is something spontaneous, there are many surprises. You never know where connections may come from. Today, we have a very good connection with St-Petersburg State University. We sell our equipment there, but we never planned it. We have it because of the recommendation of one professor. Also, probably the reason why we are quite successful in Russia is that our company got

good publicity there. And it was also very unexpected and unplanned. Once, the head of Rosnanotech, A. Chubais visited Finland and decided to come to our company. I mean, we never planned to have a contact with such a ‘high’ person; it opened many doors for us.”

4.6 F6

F6 is unique in our sample because it is a Finnish consulting firm within a Research Institute. Formed in 1993, it provides consulting services for project businesses in sectors such as energy, shipbuilding, pulp and paper, and telecommunications. Currently, F6 employs 24 people. In 2007, F6 established a separate unit in St. Petersburg, Russia. One of the founders of F6 explains they used both planned and unplanned networking, and were open to unexpected outcomes from these relations: “You do not always know where a situation will take you but you realize it is important to be there in order to let things develop when possibilities for networking and business might be created. You should not plan too much. Often surprising things happen that create new possibilities you could not predict. It requires improvisation and an open mind.”

Another project manager from F6 describes how the internationalizing firm networked by using means-driven logic and starting with “who do we know.” The narrative also illustrates that the firm had an insider position in the network. “Before F6 decided to expand to Russia, it already had a very extensive network of Russian experts. These contacts were from both [the] academic world and from different industries and projects. So, it was quite [a] natural decision to open an office in St. Petersburg. People were already there; it was a question of just a legal establishment and bureaucratic work. This existing network was very trustworthy in itself and helped a lot in gaining some trust.”

While the firm initially used effectuation to enter Russia, when it became established it engaged in more causal networking strategies. In addition, effectual networking allowed the spontaneous creation of new opportunities as the following narrative illustrates: “Since F6 now has an office in St. Petersburg, and as things got into their routines, we have more planned networking. But before it was not like that: nothing was defined. Many positive things were happening ad hoc. When you have a good network that works well it might be even better to have things unplanned. The greatest value this network provides is flexibility. If you have trustworthy partners and experienced people you can always have nice ideas and are not afraid to share them. That is very important. If someone has an idea, he or she can ask another person, have a meeting or call someone ad hoc and discuss. Most of the best opportunities come unplanned. This network gives the possibility to seize these opportunities and that’s very valuable.”

4.7 F7

F7 was founded in 2004 in Espoo, Finland. The company designs, produces and sells a motorized climbing wall that scrolls down as it climbed, allowing climbers to practice in small spaces. The company currently has its own offices in USA and

Poland, and has official dealers in 14 other countries. The company founder tells the story of F7's networking during its internationalization. F7 did not conduct any prior market research; rather, internationalization was spontaneous and driven by unintended networking: "I have to say that so far I haven't even focused so much on internationalization. My main focus has always been on how to improve the product. When I started F7, I presented my business idea to different investors at different events that the business incubator organized. We got some funding to develop the first prototype. And later Discovery Channel chose our product to make the film about it; they picked us up from many firms that were in that business incubator. It was great luck, we never planned that. After that film that was broadcast all over the world we got [such] good publicity! We got something [like] 200 contacts from different countries; they just called me and wanted to purchase the product. I was in contact with all of those who were interested. We just discussed, improvised a lot, and made the thing so to say 'on a way'. This industry develops very fast, and you need to bring your message very fast. So, I don't really have time to hide anything or think if I really trust a person or not. Of course, there is trust on [a] general level. But if someone is interested in our product and wants to buy it, it does not harm me! It's a trust intuition... just a feeling, a basic skill. I don't have any business education, so everything was new for me. And it is hard to plan the internationalization and select the countries when partners find you themselves. For instance, in [the] case of Russia I didn't strategically choose the dealers; they were just enthusiastic and called me. Of course I [now] plan some networking; I attend different industry events and exhibitions. But this happens now; before it was a chaos."

The following narrative illustrates the process of networking with all and any interested stakeholders, and the need for openness to unexpected relations: "I would say that I network everywhere and with everybody. One good example... I was at one night club last Sunday; there was a friend of a friend who works in a company that arranges different shows and concerts worldwide. We talked, I showed him a small video on my phone about our climbing equipment and he got interested because it can be used for leisure activities. I am meeting him ... next week. Let's see if we have anything. So, you never know when you open your mouth and say something to a person you don't know; maybe you have a good idea, maybe not."

Table 3 summarizes the main findings from the case studies.

5 Analysis and Discussion

The case studies show that in general firms' networking activities are crucial for internationalization, and that the whole process of foreign expansion was driven by network relations. Specifically, the effectual logic of networking influences decision-making in the internationalization process. In some cases, respondents find it difficult to specify the exact point in time when the firm made a decision to internationalize, and how the actual foreign expansion started, because it is an organic process of the firms' development. Networking effectually is a conscious choice made by the entrepreneurs, and in preference to networking strategically and

Table 3 A summary of the main findings from the cases

Commitments	Opportunities	Trust	Uncertainty	Coordination
F1 Commitment to existing relations led to entry into new foreign markets	Relations in one foreign market brought opportunities in another foreign market	Trustworthy relations appeared over time when the goal of relations become clear	Uncertainty was seen as a 'fun' part of doing business	Networking is unplanned and spontaneous; organic development of networks
F2 Commitments in domestic network expanded the 'Who I know' and 'What I know' parts of effectual internationalization	Relations provided a pool of unexpected opportunities	There was generally trust, but not with one particular relation	The general context of networking was under uncertainty	There are certain efforts to coordinate network relations, but the unintended aspect of networking is accepted
F3 Commitment comes from each partner's motivation to do business together, even though the end goal of this business is not clear	'Networking with whoever is interested'; network brought opportunities without the entrepreneur's effort	During internationalization, professional trust transformed to personal trust	Networking was generally uncertain because it did not have specific goals	Networking is spontaneous and uncoordinated
F4 Commitment to a relationship allowed them to recognize their potential for internationalization growth	A single relationship brought unexpected internationalization opportunities	Trust exists on a general level; commitment to existing relationships helps to develop further trustworthy relationships	Networking was uncertain and was compared with chaos and snowball effect	Network coordination is balanced with uncoordinated intuitive networking
F5 Commitment to a relationship provided information for internationalization growth	Unexpected internationalization opportunities may come from a single relationship	Trust comes when relationships are informal and personalized	Networking was uncertain because it was spontaneous and brought surprises	Networking activities are undirected; accidental connections
F6 Commitment to existing domestic relationships increased F6's means to enter a new foreign market	Effectual networking allowed for creation of new opportunities	New trustworthy relationships developed from the existing network	Some networking activities should be unplanned to give room for contingencies that, in turn, provide opportunities	Planned and coordinated networking activities are combined with improvised and spontaneous ones

Table 3 A summary of the main findings from the cases

Commitments	Opportunities	Trust	Uncertainty	Coordination
F7 Lacks commitment to specific relationships	Unplanned networking 'everywhere and with everyone' creates room for more opportunities	Trust exists on a general level; trust is an intuitive feeling; trust is not in question when a new relationship is being established	Networking is uncertain and chaotic; it requires improvisation	Coordination of relations was generally impossible because many partners initiated the contact with F7 first

systematically. The process of networking itself is not purely strategically driven by a predefined network goal or written as a plan, but is also more effectual. Newly established contacts are added to the existing ‘who I know?’ part of effectual means, and subsequently used for further networking. It is considered the best way to provide room for opportunity during the early internationalization phases. This evidence supports the argument that effectual partnering differs from serendipitous networking and coincidental meeting of people at random.

In our cases, the entrepreneurs do not influence their network relations at the early stages of internationalization, as they feel such coordination of networking activities would restrict potential internationalization. They do not consider whether they have a position inside or outside the network, or determine which foreign network structures their firms could fit into. In some instances, it is a conscious choice not to control and influence the network in order to allow the other partners to bring unexpected opportunities and co-create new combinations. However, the state of high uncertainty is not perpetual for entrepreneurs. Later in the internationalization process, the coordination of network relations becomes more important, which makes effectual principles of internationalization consistent with the revisited Uppsala model.

On the one hand, the data show that during the internationalization process, effectuators experiment a lot and engage in mutually beneficial activities, which results in building trust. Hence, although effectuation does not require trust *ex ante* (Sarasvathy and Dew 2008), *ex post* trust is a natural outcome of development of new foreign networks. On the other hand, the entrepreneurs extensively used the “who I know” part of their entrepreneurial means for further international networking. Therefore, this inclusion of “who I know” presumes that they also had some *ex ante* trust. The presence of trust in effectual networking is consistent with the revisited Uppsala model (Johanson and Vahlne 2009), which acknowledges the important role of trust in relations during internationalization.

The above narratives show that in many cases the entrepreneurs do not try to reduce network uncertainty by gathering information on foreign market structures and potential partners, and by developing trustworthy relations before engaging in a deal. During the internationalization process they are consciously open to unexpected relations. Some entrepreneurs are even excited about new relations, see much fun in spontaneous contacts and perceive them not as negative factors but as a chance to benefit from surprise and exploit new opportunities. For example, entrepreneurs from firm F4 who mentioned uncertainty in networking reveal how commitment to a new partner who was introduced to them by a third party allowed them to recognize surprising new opportunities for internationalization (see narrative and Table 3). Careful selection and culling of relations according to a pre-determined goal would limit the ‘stock’ of available means and decrease opportunities. Effectuators, however, use commitments and their existing relations with “who they know” in order to control uncertainty. Yet developing these commitments can be challenging because the outcomes of partnership (and the whole process of international expansion) are not defined. In F4, for instance, entrepreneurs said how hard it was to commit to new partners without established trust and any track of record doing business together (see narrative and Table 3). In

effectuation research, such commitments are called effectual commitments meaning that partners commit not to some predefined result of this partnership but to the variety of unknown different effects from this relation (Sarasvathy 2008). This finding is consistent with the revisited Uppsala model (Johanson and Vahlne 2009), which states that firms create new relations and maintain existing ones in order to decrease the uncertainty of internationalization. We use this discussion to develop the following proposition:

P1: SMEs are more likely to reduce uncertainty during foreign market entry by using effectuation than causation logic, and commit to their relationships to increase their means and create opportunities.

The case illustrations describe internationalization as a non-focused, natural and intuitive process. Instead of following a predefined plan to expand to specific countries, the case firms were driven by existing and establishing network relations. The entrepreneurs did not strategically select a country, conduct market research, investigate foreign network structures, and network with specific people according to a specific network goal. Consistent with Sarasvathy (2001, 2008), they established relations with all interested actors in order to maximize the set of available means, and to increase the variety of possible outcomes. For example, firm F3 mentions ‘networking with whoever is interested’, and F7 comments about networking; ‘everywhere and with everybody’ (see narrative and Table 3). The case firms selected markets primarily based on their networks, and geographical direction was a secondary concern. The entrepreneurs were more likely to be driven by “who I know” rather than questions of “where to expand?” and “what entry mode to choose?” In other words, their approach to internationalization was a “people first, country second” principle. Hence, we develop the following proposition:

P2: Foreign market entry of SMEs are more likely to be based on opportunities that emerge through effectual networking, rather than a pre-determined goal to target a specific country for its particular characteristics, such as location advantages or institutional environment.

As the above cases show, the firms do not adhere to a purely effectual logic of networking. In line with findings from Sarasvathy’s studies (2001, 2008), effectual partnering is balanced with more goal-driven relationship establishment, and is employed more often in situations of high uncertainty. When the situation allows for some degree of prediction, the entrepreneurs apply more causal logic to networking and strategically plan relationship establishment. For instance, the interviewee from firm F5 presented a plan of network actions for foreign expansion that was coordinated with other strategies. This networking was very goal-oriented and strategic, and was recognized as causal action in this study. The evidence from the other firms also shows that effectual and causal logics of networking are not present in their pure types empirically, but are constantly intertwined and balanced.

In addition, this study demonstrates that effectual networking processes not only influence internationalization, but also display their own specific attributes in the context of foreign expansion. For instance, firms F2 and F6 do not represent a new venture type of firm, but show evidence of effectual networking during their

internationalization stage. As the profiles of these firms show, the effectual logic of networking not only dominates during the early stages of venture development, as suggested by Sarasvathy and Dew (2005, p. 548), but also during the later stages of growth through internationalization. While our firms face uncertainty during the early stages of venture development they also experience uncertainty during the early stages of internationalization when networking had no specific goals and occurred spontaneously (see narratives and Table 3). Hence, we develop the following proposition:

P3: The effectual logic of networking is more likely to occur in any conditions of uncertainty throughout the SMEs growth, such as entering a new network during foreign market entry, rather than only being used during the early stages of new venture development.

6 Conclusions, Contributions, and Directions for Future Research

By combining the effectuation approach (Sarasvathy 2001) and internationalization process theory (Johanson and Vahlne 2009) through the central concept of networks, this paper examines the unintentional side of internationalization, which has been regarded in the extant literature as an anomaly. The concept of networks is an essential bridging point between the two theories because of their importance in both entrepreneurship and internationalization (Sarasvathy et al. 2014: 79). It has been well documented in IE literature that entrepreneurial firms lacking resources find them through their networks (Blankenburg Holm et al. 1996; Chetty and Agndal 2007). In our research, this represents the “who I know” aspect of entrepreneurial means, and the principle of partnership instead of competitive analysis in effectuation. Employing the effectuation approach, this study focuses on SME networks at the entrepreneur level, and shows how uncertainty can be exploited to enter foreign markets successfully. The findings show internationalization opportunities occurring through effectual logic because of how, and with whom, entrepreneurs formed networks, rather than their having predefined internationalization goals. Consistent with Johanson and Vahlne (2003), the internationalization process of effectual entrepreneurs is relationship-driven. Expansion into international markets is related to the entrepreneur’s connected networks, and the firm’s subsequent internationalization is related to its network development.

In line with effectuation, our findings show that effectually formed network relations influence the internationalization decision and determine which foreign markets the firm enters, rather than vice versa. This confirms that effectuation focuses on partnerships to make internationalization possible. Entrepreneurs are not constrained by a lack of knowledge regarding markets or networks, but keep an open mind to pursue opportunities to increase their means to internationalize. Firms enter markets wherever they recognize an opportunity to commit to a network relationship that will increase their means. This is similar to Johanson and Vahlne’s view (2003, 2009) that firms acquire knowledge through their relationships, which

subsequently enables them to enter new foreign markets where they can form new relationships that serve as a base to enter other foreign markets. Entrepreneurs that use effectuation rarely use traditional market research and planning, but value little opportunities that ignite incremental path creation. An additional contribution to theory building is that internationalizing firms do not follow purely effectual networking strategies. Rather, they are balanced with causal strategies that are more applicable in the early and uncertain stages of foreign market entry. Later, when firms become established in foreign network structures, or when the situation allows for some degree of prediction, causal decisions prevail. Hence, in this study effectuation as a characteristic of entrepreneurial action (networking) exists as a matter of degree, rather than a category diametrically opposed to causation, which is consistent with previous research (Perry et al. 2011; Harms and Schiele 2012).

Integrating effectuation and the revisited Uppsala model through the network concept offers several contributions. First, beyond the revisited Uppsala model (Johanson and Vahlne 2009), effectuation theory helps to understand the entrepreneurial and non-goal oriented side of internationalization at the level of individual decision-making. Hence, it contributes to the IE literature by explaining previously discarded phenomena of unintended internationalization that were considered to be outliers. Second, this paper adds to the emerging effectuation research that bring effectual principles into the context of internationalization (Schweizer et al. 2010; Harms and Schiele 2012; Sarasvathy et al. 2014). Consequently, it transfers effectuation theory beyond the domain of entrepreneurship into international business (IB), which in turn develops the IE area. While previous efforts to combine the revisited Uppsala model with the effectuation process model (Schweizer et al. 2010; Sarasvathy et al. 2014) covered all facets of the models, our study presents a narrower integration by focusing deeply on the process of networking during internationalization. For instance, Sarasvathy et al. (2014: 80) point to the two major differences between the models (the several cycles of interaction with stakeholders and the non-exogenous nature of opportunities for effectuation). Our study, meanwhile, highlights commonalities and differences by concentrating on the network constructs of commitments, opportunities, trust, uncertainty, and coordination (see Table 1). This focus on networking leads to the third important contribution of our research. We provide a timely response to shift the focus from the static picture of networks towards the dynamic process of forming networks (Hoang and Antoncic 2003; Slotte-Kock and Coviello 2010; Jack 2010).

Our integration of effectuation approach and the revisited Uppsala model also suggests several implications for network research in IE, regarding (1) theory development, (2) unit of analysis, and (3) methodology. First, the potential of the effectuation approach to explain the phenomenon of internationalization through networks needs to be developed further. This paper shows that effectual networking strategies are constantly balanced with the causal ones, which provides interesting implications for international partner selection research. Scholars could examine how strategic selection of international partners is intertwined with effectual non-goal-oriented networking, and what factors influence the adherence to either of the networking strategies (e.g., turbulent or stable markets; emerging or established

industry; high or low psychic distance; mode of entry). They could also address whether the effectual networking behavior of entrepreneurs differs depending on their culture, and the culture of the host country where they internationalize. In addition, they could examine whether there is a difference in effectual networking behavior between domestic and international entrepreneurs. Furthermore, although effectuation theory has been derived from a sample of expert entrepreneurs, it focuses on decision-making through “improvisation, exploitation of contingencies, and market creation through alliances and partnership” (Gabrielsson and Gabrielsson 2013: 1358), and this can be observed in any kind of firm regardless of their newness, size and foreignness. In this regard, effectuation principles have been confirmed in established multinational corporations and non-for-profit organizations at the managerial level (Blekman 2011). This shows that effectuation has great potential to extend IE research further by broadening its domain to include all kinds of firms regardless of their size and age (Giamartino et al. 1993; Coviello and Jones 2004; Zucchella and Scabini 2007; Keupp and Gassmann 2009).

Second, bringing effectuation into internationalization through networks research highlights the central role of an individual entrepreneur as a unit of analysis. Effectuation is a very actor-centric phenomenon because it is based on identity, knowledge and the personal relations of an entrepreneur who is the main proactive agent of change (Sarasvathy 2001). For instance, the famous think-aloud verbal protocols were conducted on expert entrepreneurs where an individual entrepreneur served as a unit of analysis (Sarasvathy 2008). Network studies in IE, in turn, follow more diverse traditions from entrepreneurship focusing on individual entrepreneurs as a unit of analysis (Dodd and Patra 2002), and from the business network literature focusing on organizations, dyads or nets of actors (Halinen and Törnroos 1998). Therefore, we propose that future studies on entrepreneurial networking during internationalization could concentrate on individual entrepreneurs as the unit of analysis. This approach is consistent with both effectuation research and the business network tradition because entrepreneur’s networks at the individual level often overlap with the networks of their ventures at the organizational level (Hite and Hesterley 2001).

Third, by converging effectuation and the revisited Uppsala model this study displays the complexity of networking in the internationalization context. To avoid missing all the nuances of this process, we suggest scholars follow a qualitative research strategy, for example a comparative case study or in-depth case study. This strategy would capture the dynamic nature of effectuation unfolding through internationalization, and explore the changes in the network relations of international entrepreneurs. It would thereby add to the empirical qualitative studies on effectuation that are lacking in this area, and advance effectuation research (Perry et al. 2011). Additionally, it would respond to numerous calls for more qualitative process-based studies on entrepreneurial networks (Hoang and Antoncic 2003; Slotte-Kock and Coviello 2010; Venkataraman et al. 2012).

Finally, our paper has several practical implications. Effectuation logic shows that since networks are unmanageable, they should be left alone to allow numerous opportunities to appear for the firm. A contribution for entrepreneurs is that they should encourage this organic development of networks rather than constrain it

through structured networks. In particular, networks in early internationalizing entrepreneurial firms need not necessarily be planned, structured, and coordinated. In addition, entrepreneurs could reconsider how they deal with a lack of knowledge and uncertainty avoidance by applying an affordable loss approach. Hence, in their rush to internationalize to benefit from windows of opportunity, managers need to think in terms of co-creation with partners to increase their means and share affordable loss. Entrepreneurs need not feel inadequate because they lack a goal-oriented business plan. Equally, the contribution for policymakers who provide funding opportunities for entrepreneurial firms is that they need not place huge emphasis on goal-oriented business plans, but should incorporate the means-driven approach. Policymakers need to consider alternative business models used in entrepreneurial firms, and their ability to acquire resources through these networks to co-create opportunities.

7 Limitations

We acknowledge that the theory of effectuation is still in its infancy and needs to take several steps forward in order to gain conceptual and empirical rigor (Perry et al. 2011). Consequently, the drawback of this research is the reliance on certain effectuation concepts that have not been fully developed and tested, such as the concepts of effectual alliance and pre-commitments. Nevertheless, this underdeveloped status of certain effectuation concepts provides an opportunity for this study to make theoretical advancement by combining effectuation theory with the revisited Uppsala model. Since our paper focuses on examining one construct (networks), future research could examine other central constructs that are included in these two theories, such as opportunities and knowledge.

In addition, the results of this research and its interpretations are based on qualitative case studies, which follow the principle of analytical, not statistical, generalization. Scholars who adhere to the positivist and post-positivist research paradigms may consider this to be a limitation. Therefore, the robustness and generalization of the present research can be tested by developing a questionnaire and conducting a quantitative survey so that statistical generalizations could be made. This quantitative survey could be conducted in various national and cultural contexts.

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