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Improvised internationalization in new ventures: The role of prior knowledge and networks

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How do entrepreneurs identify foreign market opportunities and how do they identify foreign market(s) and customers? We draw on the concepts of effectuation, improvisation, prior knowledge and networks to study the early internationalization of new ventures operating in the Irish Shellfish sector. We argue that the internationalization process was strongly influenced by two 'resources to hand': the entrepreneurs' idiosyncratic prior knowledge and their prior social and business ties. We observe an effectuation logic and extensive improvisation in the internationalization process of these new ventures.

Keywords: INVs; improvisation; prior knowledge; networks; bricolage; effectuation; Ireland

1. Introduction

A new body of literature, and an emerging theory of international new ventures (INVs), focusses on business organizations that from inception 'seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries' (Oviatt and McDougall 1994, 49). One form of internationalization involves the choice of foreign markets and entry into these markets. The entrepreneur starting an INV faces both a 'liability of newness' (Stinchcombe 1965) and a 'liability of foreignness' (Zaheer 1995). Because of these liabilities, entrepreneurs might be expected to adopt a systematic planned approach to internationalization, including the identification of foreign markets and foreign exchange partners. A core argument in the international business literature is that the choice of export markets is a rationale response to conditions in the market and a decision made on the basis of objective information gathered systematically through market research (see e.g. Root 1987; Douglas and Craig 1989, 1992; Kumar, Stam, and Joachimsthaler 1993; Walsh 1993; Hoffman 1997; Rahman 2003).

However, empirical research demonstrates a considerable gap between these models of the internationalization process and actual practice observed in firms (see e.g. Andersen and Strandskov 1998; O'Farrell, Wood, and Zheung 1998; Crick and Jones 2000; Rahman 2001, 2003). The process of entering foreign markets can appear 'random and somewhat irrational' (Coviello and Munro 1995, 58) and the process of establishing contact with foreign buyers a 'complex activity that

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frequently appears to be the product of chance encounters and being in the right place at the right time!' (Ellis and Pecotich 2001, 119).

A question central to the study of entrepreneurship is 'by what processes do new firms emerge?' We extend this question to ask by what processes do new international firms emerge. As the internationalization of new firms can be considered an entrepreneurial process, we explore how concepts from the entrepreneurship literature, such as effectuation and improvisation, might explain the apparent idiosyncratic internationalization process observed in some new firms. Drawing on literature exploring the new venture creation process, we explore how entrepreneurs identify foreign market opportunities and how they identify specific foreign market(s) and customers. We focus on the influence of the entrepreneur's prior knowledge and prior social ties on the processes of selecting and entering foreign markets.

2. Internationalization of new ventures

2.1. *Effectuation and improvisation in the internationalization process*

There is increased evidence that new venture creation process can be characterized by an effectuation logic and improvisation (Baker, Miner, and Eesley 2003; Dew et al. 2009; Read, Song, and Smit 2009). Sarasvathy (Sarasvathy 2001, 2008; Sarasvathy and Dew 2005) provides a conceptual distinction between what she labels as effectuation and causation processes. A causation logic in the venture creation process suggests that entrepreneurs 'takes a particular effect as given and focus on selecting between means to create that effect' (Sarasvathy 2001, 245). Baker, Miner, and Eesley (2003) describe such processes as design-proceeding execution. In contrast, effectuation is defined as a process where the entrepreneur takes 'a set of means as given and focusses on selecting between possible effects that can be created with that set of means' (Sarasvathy 2001, 245).

Baker, Miner, and Eesley (2003) draw on the concepts of improvisation and bricolage to provide an explanation of new venture creation. Improvisation, the process whereby design and execution converge (Miner, Bassoff, and Moorman 2001; Baker and Nelson 2005), implies bricolage, defined as 'making do with current resources, and creating new forms and order from tools and materials at hand' (Levi-Strauss 1966). Baker, Miner, and Eesley (2003) observed improvisation in many aspects of the venture creation process, including the very founding of the new venture. Improvisation also occurs in established ventures, where day-to-day improvisation can lead to the emergence of new strategic positions (Baker, Miner, and Eesley 2003; Wiltbank et al. 2006; Dew et al. 2009).

Sarasvathy (2008) argues that new artefacts, for example new markets, new contacts and new customers, are not the result of the design of a specific person, but come about as a result of the interaction of the existing and prospect members of a network. New stakeholders bring into the venture visions, goals and means. Applying Sarasvathy's effectuation logic suggests that in creating a new firm, the set of means and connections an entrepreneur draws on might be the entrepreneur's characteristics, abilities, resources and preferences; the entrepreneur's knowledge; and the entrepreneur's social networks. Sarasvathy (2001, 258) summaries these as: 'who you are, what you know and whom you know'.

In the context of an INV characterized by an effectuation logic and improvisation, what 'resources to hand' might explain the internationalization process in INVs. In such contexts, the two critical 'resources to hand' might be (1) the entrepreneur's prior experience and prior knowledge of international markets; and (2) the entrepreneur's business and social networks.

2.2. *The influence of prior knowledge on internationalization*

Within the entrepreneurship literature, a person's prior knowledge and experience is said to influence their discovery of opportunities. Kirzner (1997, 71) has argued that 'an opportunity for pure profit cannot, by its nature, be the object of systematic search'. He argues that 'when one becomes aware of what one had previously overlooked, one has not produced knowledge in any deliberate sense. What has occurred is that one has discovered one's previous (utterly unknown) ignorance' (1997, 72). A key determination of individuals' alertness to new opportunities is their prior knowledge and previous industry experience (Casson 1987). Venkataraman (1997) argues that prior knowledge results from work experience, personal events and education and that it can be developed through a number of different roles. He argues that each individual has a unique 'knowledge corridor', and this knowledge will determine the entrepreneurial opportunities that an individual will exploit (Venkataraman 1997, 122). Certain types of prior knowledge are important to the discovery of opportunities: knowledge about markets, knowledge about ways to serve markets and knowledge of customer problems (Shane 2000).

What about the discovery of international opportunities? Within the INV literature, it is argued that a consciousness of foreign market opportunities is a crucial antecedent to the internationalization process, as it provides the motivation to start internationalizing (Johanson and Vahlne 1977; Grønhaug and Kvitastein 1992; Ellis 2000). It is widely argued that such consciousness is a result of the entrepreneur's prior international work experience, as entrepreneurs develop international relationships through international work experience and overseas work experience (Oviatt and McDougall 1994; Bloodgood, Sapienza, and Almeida 1996; Reuber and Fischer 1997; Preece, Miles, and Baetz 1999; Crick and Jones, 2000).

Specifically, Yli-Renko, Autio and Tonnti (2002) have argued that management contacts, customer contacts and suppliers' contacts positively impact on the level of foreign market knowledge and, in turn, the international growth of new ventures. A comparative study by McDougall, Oviatt, and Shrader (2003) of domestically focussed new ventures and INVs reported that entrepreneurs in INVs are more likely to have prior international work experience. Prior knowledge is generally equated with prior work experience, and prior work experience is often measured as number of years working overseas. For example, Roth (1992) argues that mere exposure to the international arena is not sufficient for the development of a deep understanding of markets. Rather he suggests managers are more likely to develop a deep understanding of foreign markets when they have worked in these markets, or when they are required to spend considerable time overseas.

An entrepreneur's prior knowledge can explain how they discover entrepreneurial opportunities, including international opportunities. This leads us to our first proposition:

> The identification of foreign market opportunities is influenced by an entrepreneur's prior knowledge of international markets.

2.3. *The influence of networks on new venture internationalization*

Within the literature on new ventures, explanations of the new venture creation process emphasize the importance of social ties (Hite and Hesterly 2001; Greve and Salaff 2003; Witt 2004). Johannisson (1990, 10) has argued that the entrepreneur's personal social network is the 'most significant resource of the firm'. Personal ties provide 'an opportunity to procure resources for start-up at favourable rates due to friendship or kinship ties to network partners' (Witt 2004, 394). Baker, Miner, and Eesley (2003) have suggested that some new firms engage in 'network bricolage'. Network bricolage is dependent 'on pre-existing contact networks as the means at hand' (2003, 265). They argue that the founder's networks provide information and resources 'even in the absence of any effort on the part of the founders to search for the deals around which they built their firms' (2003, 266). Critical aspects of the venture creation process, such as awareness of foreign market opportunities and resource gathering occurs through the entrepreneur's network (Larson and Starr 1993; Oviatt and McDougall 1994; Hills, Lumpkin, and Singh 1997; Lamont et al. 2000; Baker, Miner, and Eesley 2003). In their study on Irish small and medium enterprises (SMEs), Andreosso-O'Callaghan and Lenihan (2008) found that networks, defined as 'material linkages', were more likely to be developed with firms abroad than those in close geographic proximity. This suggests that for some firms, cross-territorial networking is a key feature of networking activity (De Propris and Sugden 2008).

Explanations of internationalization choices and processes in SMEs highlight the importance of business ties; though even within such explanations, the role of social ties is important. The initiation of internationalization relies on the notion that 'interpersonal (social) contacts lie at the heart of the interaction between companies' (Cunningham and Turnbull 1982, 105). Network theory suggests that firms internationalize via domestic business networks (Johanson and Mattsson 1988). However, in the context of INVs, various network ties have been shown to influence market selection, foreign market entry and choice of exchange partner (Sharma and Blomstermo 2003; Belso-Martinez 2006; Coviello 2006). For example, Coviello and Munro (1995) suggest that entrepreneurs use major business network partners as the initial trigger for foreign market selection; while Komulainen, Mainela, and Tähtinen (2004) argue that social ties facilitated the foreign market entry of high-technology INVs.

Social networks may be particularly important to new ventures seeking to internationalize because emerging organizations typically lack established business ties (Aldrich and Zimmer 1986; Greve and Salaff 2003) and because the entrepreneur is not part of a structured international business network (Johanson and Mattsson 1988). The network ties that facilitate internationalization may differ in terms of their nature. Antecedent ties of the founder may be a cluster of close, strong and personal informal ties and may be of a business or purely social nature (McDougall, Shane, and Oviatt 1994; Oviatt and McDougall 1994). Uzzi (1997) argues that entrepreneurs search deeply for solutions in existing relationships rather than widely for solutions across relationships. In contrast, others suggest that weak ties are important for the initial internationalization of the INV (Sharma and Blomstermo 2003).

We classify networks along two dimensions: the nature of the tie – business or social and the relationship with the firm – vertical or horizontal (Figure 1). We define business ties as relationships of a formal, commercial nature, where an economic

Nature of the relationship

Relationship to the firm		*Business Tie*	*Social Tie*
	Vertical	- Clients - Suppliers to the firm - Agents and intermediaries - Ancillary suppliers	- Former clients - Other suppliers in the industry - Other operators in ancillary support firms
	Horizontal	- State support agencies and export promotion agencies - University/research institutions - Trade associations - Advisors/consultants - Joint Venture partners	- Competitors - Community organizations - Friends/Family - Acquaintance firms

Figure 1. A typology of social and business relationships in INVs.

exchange takes place. Business ties can be either horizontal or vertical relationships. Horizontal relationships include, for example, research institutes and industry associations (Figure 1). Vertical relationships are those the focal firm has with business partners, suppliers, agents and clients. We define social ties, often referred to as informal business relationships (Chetty and Blankenburg-Holm 2000), as relationships that consist mainly of social exchanges where no economic exchange exists. Social ties can also be either vertical or horizontal. As shown in Figure 1, vertical social ties (sometimes referred to as informal business acquaintances) are those positioned in the supply chain; buyers and suppliers located in the broader business network who have a non-exchange relationship with the focal firm. Horizontal social ties encompass competitors within the industry, as well as family, friends, relatives, social and community organizations (Hoang and Antoncic 2003). This is a static representation of network ties: network ties can evolve, for example, what starts out as social tie may evolve into a client or business partner (a business tie). Jack, Drakopoulou, and Anderson (2008) highlight that little is known about how the entrepreneur's networks change and develop over time.

We argue that entrepreneurs draw on their business and social networks to acquire the resources they need to start a new firm, including initial customers. Extant literature on INVs has argued that established business and social relationships are important antecedents to internationalization in new ventures; and that typically these relationships will be developed through prior work experience in overseas markets. Therefore our second proposition is:

> Entrepreneurs rely on their existing business and social ties to identify specific foreign markets and foreign exchange partners.

3. Research context and methodology

3.1. *Research methodology*

Our research propositions relate to the internationalization processes in new firms. What is process and how can it be captured? Van de Ven (1992, 169) describes process as a 'sequence of events that describes how things change over time'. Pettigrew (1997, 338) describes process as something 'emerging, developing transforming and decaying'. He argues that the 'process analyst catches reality in flight', with time and history at the centre of the analysis (Pettigrew 1997, 338). One way of capturing process is through case studies of firms, as they are useful ways of understanding why things are as they are (Spender 1996). The case method is appropriate to our needs for a number of reasons: first, the approach is particularly suitable for studying phenomena in a real-life context (Yin 2003); second, the subject matter is highly complex (Stuart et al. 2002) and third, our research deals primarily with 'why' and 'how' questions (Yin 2003).

Within a case study design, the internationalization process can be captured through the use of the critical incident technique (CIT). CIT focusses on capturing process through a series of discrete events. CIT refers to 'a set of procedures for collecting direct observations of human behaviour in such a way as to facilitate their potential usefulness in solving practical problems' (Flanagan 1954, 327). CIT was originally used in the 1950s in occupational settings, though in the 1990s it began to be used in organizational studies (Chell and Allman 1998; Chell 2004). Chell (2004) modified the CIT method through her use of interviews as the main procedure for gathering data. Bell, McNaughton, and Young (2001, 177) argue that the nature of internationalization requires incidents to be defined broadly, what he terms as 'critical episodes', to reflect the complexity of internationalization decisions. Cope and Watts (2000) argue that extending the focus from discrete incidents to complex episodes allows the researcher to identify and test the criticality of any given incident. Our use of the critical incident method reflects Chell's (2004) use of interviewing as the method of data collection and the arguments of Bell, McNaughton, and Young (2001) that incidents must be defined broadly rather than narrowly.

3.2. *Case selection*

We conducted case research on three Irish-owned shellfish processors. Shellfish production is a highly export-orientated segment of the aquaculture industry. With the assistance of the government agency responsible for developing the sea fish and aquaculture industries in Ireland, Bord Iascaigh Mhara (BIM), we identified 20 shellfish producers that appeared, a priori, using existing definitions of INVs, to be INVs. We defined an INV as a firm with at least 25% of its total sales in foreign countries in the first year of trading (Oviatt and McDougall 1994; Knight and Cavusgil 1996). These 20 were contacted in the Spring of 2004. Ten firms replied and confirmed that they had sought to derive export sales at start-up; had at least 25% of total sales in export markets within 6 years of inception; were small, that is, less than 50 employees and a turnover of less than €5 million. Five firms agreed to participate in this study, though we had to eliminate two. One was excluded because producing and processing was not its core activity; and the other because it was in direct competition with another firm in the study, requiring us to exclude one of the firms. Contrasting the three case firms with the seven non-participating firms suggests that the case firms were a little older, in that they had all started prior to 2000, while five of the seven remaining firms started in 2000. The only other noticeable difference is that the non-participating firms were more diversified. In addition to their shellfish activity, they were also involved in other segments of the seafood sector, such as salmon farming.

We recognize that several aspects of the context we studied might have shaped the nature and extent of internationalization activity in the firms we studied. First, the seafood industry is highly international. The network internationalization model of Johanson and Mattsson (1988) argues that a new venture's internationalization process depends on the network in which the firm operates, and that, in a highly internationalized industry, such as seafood, the process may proceed more rapidly than usual (Madsen and Servais 1997). In some respects, the firms in this sector are essentially merchant-type firms selling a commodity into international markets. The relationship between the producer and customer reflects the availability and price of the product with many sporadic or once-off transactions. Second, the government agency BIM provided the firms with access to market knowledge, resources and expertise, all of which was used at various stages by the entrepreneurs. We discuss how these aspects of context might limit our ability to generalize from the cases in Section 6.

3.3. *Data collection and analysis*

Following an analysis of secondary sources and interviews with key informants, the lead author conducted the fieldwork between May and December of 2004. For each case, we conducted five to seven on-site interviews with the entrepreneur and, where appropriate, the international marketing manager. Interviews lasted between 1.5 and 2.5 h. The interviews were supplemented by further telephone interviews. All interviews were recorded and transcribed.

We framed each interview around a series of topics: the background of the founder; the origins of the firm; the internationalization of the firm in terms of how it internationalized and why it had internationalized; the initial markets entered and how these were chosen; the subsequent internationalization of the firm; and the competitive strategies of the firm.

When respondents identified specific events relating to internationalization, we asked them to tell the story of the event and to help us to understand its nature and consequences (Cope and Watts 2000; Chell 2004). Following each interview, we categorized the data into critical incidents. We identified 45 critical incidents across the three cases. For each incident, we recorded a short summary of the material and we engaged in an iterative process of questioning, returning to incidents in subsequent interviews. For the incidents where BIM executives were a network tie, we interviewed the BIM executive involved in the incident for two of the case firms. This allowed us to triangulate the data for about 60% of the incidents. This helped us minimize the retrospective bias of the main interviewee.

4. Findings: The internationalization of new ventures

For each firm, we present direct quotes, incidents and episodes relating to how internationalization occurred (Tables 1–4). Table 1 contains direct quotes from the entrepreneurs that relate to their prior work experience, their prior product/industry knowledge, their assessment of market opportunities and their selection of foreign markets. In Tables 2–4, we describe how foreign market opportunities were

Table 1. Direct quotes from entrepreneurs.

	Pisces	Aquarius	Libra
Prior work experience	'I am a marine biologist by profession' 'I have never worked abroad'	'. . . only miniscule from selling some sea urchins years back'	'The only international experience I have was holidays' *'We were seen as simple fishermen'* 'We were naïve, young, new to the game . . .'
Prior product/ industry knowledge	'I am one of the few people . . . in the country that has the experience of breeding shellfish [. . .] I take it from sperm and egg to the table, literally [. . .] In that sense, I know what's good and I know what's bad'	'I always wanted to farm the sea' 'I used to dive for sea urchins [. . .] which I exported to France on occasion' 'We started up salmon farms back in the late 70s'	'[We had] knowledge of product from seabed to sale'
Assessment of market opportunities	'It's just the way things took off. As I say, that's where the market is. The market is international' 'I have never chased the home market; the sales here are miniscule [. . .] the market is international, so I follow the market' 'You are either domestic or you're not'	'Irish sales were non-existent [. . .] Nothing worth talking about, it was more beer money than anything else' 'I had to sell; I had no choice; I had to sell the product out there (abroad)' 'Sales of shellfish in Ireland are limited and then the idea of making a market for a mussel product just wasn't acceptable to most people so we were obliged to go abroad'	'At the time, we knew all about foreign markets, there was a killing to be made out there . . . We knew it all anyway' 'The reason for establishing the firm was because of the foreign demand in the first place'

Selection of foreign markets	'... because of price. I would get a good margin out there; they would pay well' 'Most of the products here would be exported to France and Spain. I am a little bit different; I go to odd ball places [...] I export to at least ten countries, and then I export to the Middle East. I export to Dubai, Hong Kong, to the States and then I export to pretty much all over Europe [...] where ever there is good demand and little competition for my product'	'...looking at the market opportunities, building relationships using international ties, and participating in trade shows'	'We started off initially doing export. We knew the Mayor of the French town very well and also local business people from [France]... They noticed the huge potential in France for our product' 'You would pick up information from local contacts [...] fishing trawlers would stop here from Spain and would talk to them'

Table 2. The internationalization of Pisces.

Year	Event	Description of event	Nature of tie/ mechanism of foreign entry	Outcome
1998	Identification of initial exchange partner in Sweden	Joe Black befriended, H. Gugau, a German supplier of aquarium systems when latter paid a trip to founder's R&D venture on EU research visit. Gugau referred Swedish client to Pisces	Vertical social tie	Exchange partner
1998	Identification of foreign exchange partner	Gugau referred his second client from Austria to Pisces in same year	Vertical social tie	Exchange partner
1998	R&D collaboration	Pisces founder collaborated in R&D with Irish university and BIM to increase the life span of crab product	Horizontal business tie	Increased life span of product; financed and managed by BIM*
2000	R&D collaboration	Pisces founder collaborated in a second R&D project with Irish university and BIM to improve transportation of live animals in the industry	Horizontal business ties	R&D leading to successful long distance transport; financed and managed by BIM*
1999	Identification of exchange partner in Malta	Pisces advertised on an Irish seafood website set up in his local area. Unsolicited inquiry through fax from Maltese client	Internet	Exchange partner
2001	Identification of exchange partner in Dubai	Pisces advertised on an Irish seafood website. From this, sales to Dubai were initiated via a fax inquiry, a number of phone calls with client, and then follow-up by a BIM-financed visit by the client to Pisces's premises. The Dubai client has been an important and regular customer since 2002	Horizontal business tie	Exchange partner
1999	Identification of exchange partner in Italy	Industry contact gave referral at Trade show	Vertical social tie	Exchange partner
2000	Identification of opportunities in China	Black was unaware of the opportunities in China until BIM emailed firms in the sector. This alerted Pisces to market – specific opportunities in China for his product	Horizontal business tie	Identification of foreign opportunities

2000	Foreign market knowledge of Chinese markets	Pisces contacted his Irish contacts working in catering sector in Beijing for knowledge of the Chinese seafood market	Horizontal social ties (friends)	Foreign market knowledge
2000	Identification of foreign exchange partner in Russia	A Russian airline, operating locally, brought back products as gifts to Russian clients. A Russian buyer became aware of the product and sought to buy it from Pisces	Vertical business tie	Exchange partner
2002	Identification of exchange partner in Germany, sales achieved in 2003	A Maltese client referred Pisces to a large German-based wholesaler, who made contact with Joe Black with sales then following in 2003	Vertical business tie	Exchange partner
2002	Identification of opportunity and client in Hong Kong	BIM executives identified an important Hong Kong client for Pisces in 2003	Horizontal business tie	Exchange partner

Note: *Financial support from BIM.

Table 3. The internationalization of Aquarius.

Year	Event	Description of event	Nature of tie/ mechanism of foreign entry	Outcome
1985	Social tie of founder's wife referred to French-based Irish export agent	Founder's friend was the wife of French-based agent J. Whelan. This friend arranged a meeting in Paris to discuss an export partnership. Whelan's business partner, T. Coleman, agreed to be the export agent for Aquarius in Europe	Horizontal social tie	Exchange partner
1986–1990	Identification of foreign exchange partner	Coleman subsequently acquired sales for Aquarius in France, Belgium and Holland	Vertical business tie	Exchange partners
1986	Identification of UK exchange partner via informal business ties	An Irish agent, based in the UK, contacted Aquarius and suggested Aquarius supply to a large UK manufacturer	Horizontal business tie	Exchange partner
1992–1995	Product development and customer involvement in final stages of product development	Via one of his business contacts, Munro developed a partnership with a French company in the final stages of new product development	Vertical business tie	Exchange partner, knowledge resources via product collaboration; foreign market knowledge
1996	Identification of exchange partner in Denmark	A French client referred Danish processor to Aquarius. The Danish client visited Aquarius' premises and placed orders	Vertical business tie	Exchange partner
1997	A social tie identifying foreign exchange partner for Italy	The Managing Director of a local exporter, and close friend of Munro, was aware Munro was having problems in getting sales in Italy. He referred Munro to a good Italian export agent (with an existing client portfolio) at a trade show	Vertical social tie	Exchange partner
2000	Global fact finding mission: acquisition of foreign market and international business opportunities	Munro visited his international business and social contacts in New Zealand, Canada, Chile and Denmark in search of new product ideas to prevent the then imminent closure of his firm	Vertical business and social ties	Opportunity identification; foreign market knowledge

2000	International Retail Product Partnership-informal business tie	Munro approached a French industry contact. Aquarius agreed to supply retail product for French market under the French client's brand name	Vertical social tie became client	Substantial exchange partner (25% of total sales)
2001	Identification of foreign opportunities and acquisition of foreign market knowledge in USA	Munro 'bumped into' a former contact, M. Lafont, at the Boston Trade show. Munro got to know Lafont in the 1990s while working on an Irish university research programme on seafood products. Lafont was now in a senior position in the aquaculture division of the World Bank. At the show, Lafont introduced Munro to a person who was involved with the mussel industry in Maine, USA	Horizontal social tie	Foreign market knowledge; exchange partner
2002	Identification of exchange partner in USA	At the request of Munro, Lafont accompanied him to the Boston trade show a year later and provided him with knowledge on how the market operated and introduced him to networks in the USA. Lafont short listed and contacted US buyers for Aquarius. He then introduced Munro to buyers. Sales followed	Horizontal social tie	Exchange partner
2002	Acquisition of knowledge capability in NPD via business tie	While visiting a supplier in Canada, founder was referred to a contact from Scotland, involved in a new product development. The Scottish contact worked with Munro for a year to develop a new product range. He now works as an agent for Aquarius in UK	Vertical business tie	knowledge capability; exchange partner
2002	Foreign market knowledge and exchange partner for Japanese market	A local exporter and friend of Munro referred a Japanese agent based in London. The agent acted as Aquarius' agent for Japanese market, winning him a large contract with a Japanese catering client	Vertical social tie	Foreign market knowledge; opportunity identification, exchange partner

(*continued*)

Table 3. Continued.

Year	Event	Description of event	Nature of tie/ mechanism of foreign entry	Outcome
2003	Accessing knowledge through Danish social ties	Through a Danish client and friend of the founder, two Danish students worked with Aquarius and conducted formal market research of Danish market, as well as developing website and marketing product material	Vertical business tie	Foreign market knowledge
2003–2004	Acquire knowledge capability via Norwegian collaboration	Aquarius established business partnership for technological transfer with Norwegian salmon manufacturer met at a trade show in 2001	Horizontal business tie	Technological capabilities in production
2003	Knowledge acquisition for targeting Spanish client via business tie	Munro approached the Spanish office of BIM to liaise with a prospective Spanish buyer who had inquired about Aquarius products at Trade show. The BIM representative researched the target client and contacted them. BIM representative also provided language translations for Aquarius	Horizontal business tie	Foreign market knowledge; exchange partner
2004	Identification of UK retail client (distributor) via international business tie	Business contact of founder sourced a distributor, and vouched for Aquarius. Aquarius won a contract in the UK market	Vertical business tie	Exchange partner
2004	Russian opportunities via international business tie	Munro's contact in BIM Germany identified a marketing opening for Aquarius' products in Russia. Munro attended a Moscow trade show, with BIM support. Munro developed leads	Horizontal business tie	Opportunity identification, foreign market knowledge*

Note: *Financial support from BIM.

Table 4. The internationalization of Libra.

Year	Event	Description of event	Nature of tie/ mechanism of foreign entry	Outcome
1984	'Twin Town Initiative' community links and initial entry into France	White and Crosby came into contact with large French buyer retail chains through EU Town Twinning.	Horizontal social ties	Opportunity identification and start-up of Libra
1990	Acquisition of knowledge for production	BIM representatives assisted in helping Libra implementation HAACP quality standards and health and hygiene directives while setting up processing factory	Horizontal business tie	Knowledge in production
1997	Foreign market entry via business tie: UK	The founders approached a UK supplier. The UK supplier became the client	Vertical social tie	Exchange partner (supplier)
1999	Exports to Hong Kong via local exporter and friend	A local smoked salmon firm referred his client, a Hong Kong-based restaurant owner, to Libra. Libra acquired an order from restaurateur	Vertical social tie	Opportunity identification, exchange partner

(*continued*)

Table 4. Continued.

Year	Event	Description of event	Nature of tie/ mechanism of foreign entry	Outcome
1999	Canadian crab machine via local exporter	Through a local exporting firm and friend of founder's, Libra sourced machinery in Canada, which would allow Libra enter new product markets. BIM financed machine and foreign travel	Vertical social tie	Exchange partner; (supplier); financial support*
2000	Re-internationalization in 2000	Driven by shrinking domestic sales, Libra took its first stand at Brussels trade show in 2001; BIM executive identified and introduced founders to three buyers. This trade show success and network support resulted in decision to re-enter export markets	Horizontal business tie	Exchange partner
2001	Entry into French market via BIM Paris	BIM European executive identified and facilitated sales acquisition with a large French client	Horizontal business tie	Exchange partner; knowledge capabilities
2001–2002	Institutional and operational knowledge	BIM European executive assisted with operational market knowledge for French client	Horizontal business tie	Foreign market knowledge; knowledge capabilities
2002	Client in France via local exporter and friend	A local exporter, and friend, referred his client to Libra. The French manufacturer then referred his two French neighbouring firms to Libra	Vertical social tie	Opportunity identification; three French clients in industrial estate
2004	Identification of Spanish clients	The founder contacted the Spanish BIM executive he met at the Brussels trade show in 2004. Within a few weeks the executive in Madrid lined up three big customers	Horizontal business tie	Three exchange partners and foreign market knowledge

Note: *Financial support from BIM.

identified, how specific foreign markets were selected and how relationships with foreign exchange partners emerged. Each incident is classified in terms of the nature of the relationship with the firm (using the categories identified in Figure 1) and in terms of the outcomes for the firm.

4.1. *Pisces*

Joe Black, a marine biologist by profession, established Pisces in 1998 (Table 3). Pisces produces and exports live shellfish, such as mussels, oysters and clams and crustaceans, such as lobsters and crab, to markets in Europe, Asia and the Middle East. The firm is located in a remote area on the West coast of Ireland (approximately a 4 h drive from Dublin city and 2 h from the regional airport). The firm uses seawater classified as Grade A seawater under the European Union (EU) water classification system. Pisces operates its own oyster and clam breeding and growing facilities. Pisces has experienced rapid growth in international export sales since its first international sale to Sweden. The firm exports 99% of its annual production, with a turnover of approximately €1 million in 2008.

The entrepreneur came to the opportunity because of his expertise in the production process and the opportunity that his prior work in Ireland gave him to acquire the means of production. Immediately prior to start-up, Black was the co-managing director of Argot, an R&D venture for aquaculture production, co-financed by private investors and BIM. When Argot ceased trading, its facilities and plants were acquired by Black.

Black had no exporting experience or prior international work experience, nor had the knowledge of foreign languages. In starting the business, he drew on his product expertise and his capabilities in logistical technologies, which allowed him transport live products to customers. So, while Black assumed international market opportunities existed, he had no sense of a specific first export market or first foreign exchange partner. In selecting foreign markets, Black focussed on 'economic attractiveness', suggesting that psychic distance was not a determinant of markets.

4.2. *Aquarius*

Aquarius specializes in the production of fresh and frozen shellfish for the retail, catering and secondary processors markets in 10 markets in Europe, the USA and Japan. The firm is located on the Southwest coast of Ireland, near waters where it produces its shellfish (approximately a 2 h drive from the regional airport and a 7 h drive from Dublin city). By 2008, the annual turnover had grown to €5 million, all of which is exported. The company had 25 full-time staff in 2008, most of whom were involved in the production and processing of the shellfish.

From 1977 to 1985, Peter Munro was the owner-manager of two fashion retail outlets, one each in Cork city and Dublin city. However, prior to this, 'the sea' was part of his life, as he had grown up on the South coast of Ireland. In 1974 and 1975, Munro worked part time as a diver, catching sea urchins, which he occasionally exported. Munro recalls that in the early 1980s, he 'spotted' an opportunity for producing mussels and he learnt that there was a large market for mussels in France. Munro started some trial production and realized he could produce a commercial product. In 1985, Munro, his brother and four other local men started Aquarius. The others left within a year of start-up due to a lack of commitment and an unwillingness to provide financial support to the new company. Munro became the sole owner and managing director.

At start-up, Munro knew little about export markets and he did not know of any specific foreign market opportunities or any foreign exchange partner. Due to credibility issues with the French customers, the initial efforts of the founder to gain entry into the French market through the BIM office in Paris proved unsuccessful. How did Munro overcome these problems? Through a chance conversation with a customer in one of his Irish retail clothes' outlets, Munro established a new contact that eventually secured him access to European markets (Table 3). Exports sales developed from this initial contact and through his attendance at trade shows. Later when Munro sought to break into the US market with a new product range, it was the former business contacts that paved the way for market entry (Table 3).

4.3. *Libra*

In 1987, Liam White and Pat Cosby started Libra (Table 4). It is situated in a small fishing town on the Southwest coast of Ireland (approximately a 2.5 h drive from the regional airport and an 8 h drive to Dublin city). Libra's core business activity is in the processing of seafood products, and it is one of the largest crab processor in Ireland. The firm has grown rapidly since its inception in 1987, with a turnover of €80,000 in 1987 increasing to approximately €8 million in 2008. Since the decision in 2000 to refocus on foreign markets, export sales grew rapidly. Libra supplies the retail and food sectors in the UK, many European countries, Japan and China. By 2008, export sales were 50% of total sales and the firm employed 50 full-time staff.

Prior to starting Libra, White and his brother-in-law, Cosby, were self-employed as deep-sea fishermen. They became aware of foreign market opportunities as a result of an EU 'twin-town' initiative established in 1984, when their local town was twinned with a French town. The twin-town initiative led to regular exchange visits and a high level of goodwill between the town's community representatives, businesses and local and city council officials. One French businessman, who had contracts with large French multiples, requested a regular supply of high-quality fresh crab from White and Cosby. This business proposition led to the creation of Libra in 1987 (Table 4). However, the sales in France failed to materialize. The French businessman had recommended an agent handle the sale to the large supermarkets; however, White and Cosby failed to agree an acceptable price, leading them to sell-off their product at cost to large Spanish trawlers that sometimes stopped in the local port. White and Cosby had to change their focus. Rather than closing up Libra, they created a new market for crab in Ireland. They did this by 'cold calling' local businesses and educating the Irish catering sector about 'crab' as a delicacy. Having achieved home market leadership by 1999, several external factors, such as the decline in home sales, forced Libra to revisit internationalization. However, White and Cosby realized that 'it is difficult to re-enter those markets'. This time, they relied extensively on BIM for support in identifying opportunities and foreign exchange partners (Table 4).

5. Discussion

The INV literature has explained internationalization in terms of factors, such as the experiences of the founding entrepreneur; aspects of the business context, such as the emergence of global niche markets for high-tech products and enabling conditions, such as the increased availability of low-cost information technologies (Knight and Cavusgil 1996; Rialp, Rialp, and Knight 2005). We suggested that venture creation and internationalization processes may be characterized by processes variously described as improvisation and bricolage (Baker, Miner, and Eesley 2003) and an effectuation logic (Sarasvathy 2001). In such circumstances, we expected the entrepreneur's prior knowledge and their networks to be the critical 'resources to hand' that shape a firm's early internationalization choices.

5.1. *How are early internationalization choices influenced by an entrepreneur's prior knowledge of international markets?*

We argued that the identification of foreign market opportunities is influenced by an entrepreneur's prior knowledge of international markets. However, contrary to this argument, and to the findings of many empirical studies of INVs, the entrepreneurs we studied had little or no prior international work experience, in the sense they had not worked in the sector in a foreign market. Our findings question the explicit and implicit assumption in the INV literature that prior international work experience leads to an accumulation of 'deep' knowledge about international markets, typically measured in terms of the entrepreneur's experience in foreign markets.

We observed that entrepreneurs with relatively little knowledge or experience of foreign markets were able to discover international opportunities. Furthermore, we observed that the entrepreneurs were not proactive in seeking international opportunities. While this might seem counterintuitive, we observed that in two of the cases, opportunities were assumed by the entrepreneurs, based on what might be described as perfunctory reasoning. Our case evidence supports the notion that in starting new firms, entrepreneurs often 'improvise' the very discovery or identification of an opportunity. The entrepreneurs availed of the set of means identified by Sarasvathy (2001) that characterize effectuation processes: who they are, what they know and whom they know.

We observe that the entrepreneurs' idiosyncratic prior knowledge and prior work experiences are factors that shaped their choices, including in some respects their internationalization choices. While the concept of prior knowledge offers a persuasive explanation for how entrepreneurs starting INVs discover entrepreneurial opportunities, the nature of prior knowledge needs to be clarified. An emphasis on prior knowledge might lead to the normative prescription that entrepreneurs should get industry and international experience prior to start-up. However, this was not what happened in our cases. Some evidence from the entrepreneurship literature suggests that successful entrepreneurs can lack deep industry experience and expertise (Bhide 2000). The cases suggest that prior knowledge is not necessarily 'deep' knowledge nor is it industry or market specific knowledge, as suggested by Shane (2000), but rather it is knowledge in the sense suggested by Austrian economists, such as Kirzner (1997) or theorists, such as Boisot (1998).

The Austrian perspective argues that information and knowledge about markets is unevenly spread among potential entrepreneurs and among industry incumbents (Casson 1991; Kirzner 1993). Because of this, entrepreneurs exploit information that is imperfect; imperfect in the sense that it is not readily available to existing market participants or in neo-classical economic terms is 'costly to produce'. Boisot (1998) refers to this as the 'uncertain, weak, and fuzzy' nature of information, or more formally as the 'uncodified, concrete and undiffused' nature of information. Austrian economists argue that the information that entrepreneurs exploit is more than imperfect information (as neo-classical conceptualization of imperfect information suggests that it is information that can be produced by human design), suggesting that the essence of the entrepreneurial process is the discovery of 'previously unthought-of knowledge' (Thomsen 1992; quoted in Kirzner (1993, 65)) or in Kirzner's own terminology, the 'sheer ignorance' of existing market actors (Kirzner 1997, 62).

The information that entrepreneurs exploit is not only imperfect or unknown; it is also highly context specific. Thus, both the physical and 'informational' locality of information is an important determinant of whether and whence an entrepreneur will perceive or 'discover' an exploitable opportunity (Boisot 1998). In terms of Austrian economists, the distribution of information within the society determines the distribution of opportunity (Hayek 1945; Kirzner 1973). However, the emphasis is on the alertness of the individual to the information, as the source of relevant prior knowledge. Frequently, information that is unstructured or fuzzy will lead to the discovery of opportunity. While prior experience may influence and shape the information that an individual is alert to, in the case of an INV, the information need not relate directly to international markets nor does the entrepreneur need to have a deep and rich understanding of sector or international markets.

Our evidence has several important implications about the nature of prior knowledge and prior experience in INVs: first, idiosyncratic prior knowledge can lead to opportunity discovery that leads to INVs; second, prior knowledge need not be developed through overseas work experience and third, the concept of 'psychic' proximity, a form of prior knowledge, does not necessarily explain early international market choices.

5.2. *How do business and social ties shape early internationalization decisions?*

We argued that entrepreneurs rely on their existing business and social ties to identify specific foreign markets and foreign exchange partners. We observed that the entrepreneurs used their social and former business relationships to identify their initial foreign exchange partners, which dictated their initial foreign market choice. We observe that the choice of international market, which is a strategic choice in the new venture, was not a process characterized by a formal search, analysis and selection. In fact, foreign market selection in the cases emerged from opportunities presented by various network members. In line with an effectuation logic, foreign market opportunity and customer identification emerged as a result of the interaction between the entrepreneur and their social and business networks. The initial strategic positioning of these INVs was strongly influenced by the entrepreneurs' personal contexts.

The process that we observed is similar to that described by Uzzi (1997), with entrepreneurs finding solutions in existing relationships rather than searching widely for solutions across relationships. Our results differ from research in other contexts that has suggested that entrepreneurs use major business network partners as the initial trigger for foreign-market selection (Coviello and Munro 1995); from network theory which suggests that firms internationalize via domestic business networks (Johanson and Mattsson 1988); and from research that has suggested that entrepreneurs' social ties are domestically focussed (Holmlund and Koch 1998). We find the entrepreneurs' network ties were internationally connected and these provided access to markets, validating the growing importance of cross-territorial networking in entrepreneurial processes (Andreosso-O'Callaghan and Lenihan 2008; De Propris and Sugden 2008).

While social and prior business relationships might help an entrepreneur during new venture creation or early internationalization, there is an implicit assumption in much of the small business literature that there is a disadvantage in relying on such relationships. For example, Johannisson and Monstead (1997, 129) point out that social ties may be fundamental to the launching of the new venture, but such continued reliance does not necessarily guarantee sustained growth, and can at times act as a brake on the future development of the firm by restricting network diversity. We observed that in our cases that over time the entrepreneurs became more dependent on existing business ties as their businesses moved to new markets and new foreign exchange partners. In all cases either established business ties or the state agency, BIM, became the principal mechanism for developing foreign exchange partners in new countries (Tables 2–4). However, as noted across the case firms, social and informal ties remained important for developments into some markets; for example, when Pisces entered the Russian market and when Aquarius entered the US market. The entrepreneurs in the cases described social and informal contacts as important sources of knowledge throughout the internationalization process.

Our data suggests that it could be argued that in making internationalization decisions, the process is similar to that of network bricolage, reliance on networks 'at hand', to access resources (Baker, Miner, and Eesley 2003). However, it was not just reliance on existing networks; the entrepreneurs in our cases developed new contacts as the business developed.

6. Conclusions

In the 1990s, empirical research suggested an increased prevalence of INVs, or so-called born globals (Oviatt and McDougall 1997). It appeared that despite the liabilities of newness and liabilities of foreignness that characterize new ventures, more entrepreneurs were starting businesses that were international in their orientation. The internationalization of these firms did not reflect prevailing theories and explanations of internationalization of small firms, such as the stages approach, or the concept of psychic distance, reflecting the fact that these earlier theories did not set out to explain internationalization in the context of new ventures. How then do these INVs come about?

We identified the logic of effectuation, improvisation and the related concept of network bricolage in several aspects of the internationalization process. The firms we studied were created by entrepreneurs without any detailed knowledge of international markets, and in some cases, without knowledge of international opportunities. The firms were created to exploit the entrepreneurs' resources, usually expertise in the production of the product, though also in one case the perception of an international opportunity. The firms were created in the absence of any effort to search for an international opportunity. In no case was the decision to internationalize the outcome of a deliberate design or of a plan. The international orientation of these ventures emerged as the new firms emerged.

In terms of the process of internationalization, we suggest that in each case the entrepreneur's idiosyncratic prior knowledge provides an explanation for the international orientation of the ventures. This knowledge was idiosyncratic in that it was not specific knowledge about export markets or about doing business in export markets that might be developed through international work experience. The prior knowledge did not necessarily relate to prior knowledge of international opportunities.

We believe that the concepts of improvisation, effectuation and network bricolage can provide an explanation for how internationalization begins in some new ventures. These concepts provide an explanation for why studies of internationalization in new and small firms often describe a process that appears idiosyncratic. An effectuation logic and improvisation processes also provide an explanation of how entrepreneurs lacking prior knowledge of international markets, lacking prior international work experience and absent systematic market research or systematic analysis of foreign markets can create new ventures that internationalize early. Theories of INVs need to acknowledge that design and execution can converge. In this regard, we argue that networks and prior knowledge are critical 'resources to hand'.

Is the context we studied too unique or specialized? We argue that our findings are important and they can be generalized for the following reasons. First, aspects of context, in terms of stage of evolution of a firm and stage of evolution of an industry, are de facto important determinants of the nature of internationalization (Andersson 2004). Therefore, various contexts, including the context we studied, merit study, and they can be generalized to other firms and industries at similar stages of development. Second, the context we studied is neither unique nor trivial, as seafood production is an important industry. Third, while some of the sales were once-off, reflecting the merchant nature of the sector, the entrepreneurs sought to develop, through their network ties, long-term relationships with customers (often to avoid customers that did not pay or were slow to pay). Fourth, while it might appear that support from an agency, such as BIM makes our context too unique, the evidence from the firms suggests that the presence of BIM does not explain how initial markets and foreign exchange partners were identified and selected.

Our cases illustrate the challenges facing policy makers seeking to promote early internationalization. If entrepreneurs often draw on idiosyncratic knowledge and personal networks, it is difficult for policy makers to predict when and where INVs might emerge. Therefore, policy supports for internationalization typically focus on those firms that are international or are seeking to become international. Our results suggest that a broader approach might be appropriate. We suspect that in any given geographic context, the more international the context, across individuals, firms and institutions, the more likely the idiosyncratic knowledge necessary for internationalization to be developed. As such, an appropriate policy intervention might be to focus on maximizing the international contacts and contexts of all those involved in a given sector.

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