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Organising new business in a turbulent context: Opportunity discovery and effectuation for IJV development in transition markets

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Abstract Research on entrepreneurship has suggested entrepreneurial phenomena to take place in a wide variety of contexts that deal with new venture emergence. Opportunity discovery and effectuation are seen as the essence of entrepreneurship. The present study examines entrepreneurial behaviour in the organising of an international joint venture (IJV) in Polish transition markets. The paper aims to answer the following question: How is an international joint venture organised in turbulent context through opportunity-discovery and effectuation behaviours? Based on theoretical analysis and a longitudinal case study, we illustrate the organising of an international joint venture in transition markets through specific behaviours of opportunity discovery and effectuation. We show especially the relationship-based nature of all the behaviours. The study advances international entrepreneurship research by emphasising the intertwinedness of the entrepreneurial behaviours with the drastic developments in the transition markets and the evolution of the IJV partnership.

Keywords Opportunity discovery · Entrepreneurial behaviour · International joint venture · Process

Introduction

Entrepreneurial action has been seen to emerge also in large multinational firms, for example, as subsidiary initiative (e.g. Birkinshaw et al. 2005). Still, research on entrepreneurship is predominantly focused on a small-business context, where a single entrepreneur sets up an independent small firm (cf. [Shane 2003](#)). Recent

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research has called for examination of entrepreneurship in a wider variety of contexts. The intersection of entrepreneurship and the international business context has been seen as an especially interesting one. The present study answers this call by examining entrepreneurial behaviour in the emergence of an international joint venture (IJV) in the turbulent context of transition markets.

International joint ventures are most often approached through the eyes of the parent firms (Mainela and Puhakka 2008). The joint venture itself has seldom received major attention, and its emergence has been seen to require especially strategic action by the parents. The parent firms are, of course, important, but the sole emphasis on these firms seems to underestimate the role of the entrepreneurial individuals who are actually realising the joint venture and acting for the sake of the emergence of this new venture. In the present study, the focus is laid on the joint venture as a new venture and on the behaviour of the entrepreneurial managers, who are responsible for organising the inherently cooperative new firm.

Several recent studies have proposed that the focus of academic interest in entrepreneurship should be on studying opportunity-discovery and effectuation behaviours (e.g. Bruyat and Julien 2000; Shane and Venkataraman 2000; Sarasvathy 2001; Davidsson 2003; Dew et al. 2004; Zahra et al. 2005; Chiles et al. 2007; Hjorth 2007). We suggest that organising an international joint venture through opportunity-discovery and effectuation behaviours can be seen as a specific form of international entrepreneurship. It combines the complexity of international cooperation with the ambiguity of new venture creation. We emphasise the importance of understanding the specific context of entrepreneurial behaviour and study it in the “fascinating research laboratory” of the Eastern European transition markets with an aim to produce a context-sensitive theory (Meyer and Peng 2005; Meyer and Gelbuda 2006). We aim to answer the question of how an international joint venture is organised in a turbulent context through the opportunity-discovery and effectuation behaviours of joint venture managers.

We begin the theoretical part of the study by describing international joint ventures and transition markets as the context for entrepreneurial new venture emergence. The conceptual framework of the study builds on previous research on entrepreneurial behaviours in new venture emergence. The empirical study produces a case study by letting the research question of the study lead the analysis and by looking for the underlying mechanisms that shape the patterning in the observed change processes (Tsoukas 1989; Pettigrew 1997; Buttriss and Wilkinson 2006). The primary target of the research is understanding the sequence and flow of events over time through a reconstruction of the IJV development process and the entrepreneurial behaviour underlying it. In what follows, conceptual framework is firstly built. Then the used method is introduced, and an analysis of the case is presented. Finally, the implications of the study on the research on international entrepreneurship are discussed.

Conceptual framework

The Eastern European market and international joint venture as a twofold context

Because of the socially embedded nature of entrepreneurship (see, e.g. Sarasvathy and Dew 2005b; Buttriss and Wilkinson 2006; Hjorth 2007), we should first take into

consideration the twofold context in which the entrepreneurial behaviour takes place. The opening of the markets in the former socialist countries of Eastern Europe in the 1990s made them an interesting expansion area for western firms by presenting major opportunities to grow their businesses (Meyer and Gelbuda 2006). Yet, the often dramatic transition process also created unique challenges in the turbulent circumstances, where the rules of behaviour are vague and changing (Meyer and Gelbuda 2006). Johannisson (1995) has described the situation as nearly chaotic for entrepreneurial action due to the lack of basic institutional framework, reliable physical infrastructure and shared value system. As Meyer and Gelbuda (2006) more recently pointed out, the companies are required to manage their business processes in the face of dramatic institutional change and great uncertainty. Therefore, entry to the East European market often occurs through inter-firm cooperation, especially joint venturing (see, e.g. Törnroos and Nieminen 1999; Meyer and Thu Tran 2006).

An international joint venture can be defined as new venture if the founders acquire expertise in products, process, market or technology in its establishment, the results are expected beyond one year, and the joint venture is considered as a new market entrant by its competitors and as a new source of supply by its potential customers (Gartner 1985; Katz and Gartner 1988). Joint ventures may provide significant benefits for the partners, and they have traditionally been preferred by the local governments (Contractor 1990). Yet, joint ventures also set great requirements for the managers responsible for them. Joint ventures, like any new ventures, lack resources and legitimacy in the new markets. Overcoming these deficits requires entrepreneurial behaviour, especially in forms of opportunity discovery and effectuation (cf. Starr and MacMillan 1990). The managers need to act in a complex, intercultural setting and establish relationships with the parents and various other actors across national borders in often unknown, rapidly changing markets. The existence of multiple partners almost inevitably makes the reality of an emerging international joint venture equivocal, which is the fundamental property of entrepreneurship (Gartner et al. 1992). In this new venture, IJV managers, like any subsidiary managers, have the potential for entrepreneurial action (see, e.g. Schmid and Schurig 2003; Birkinshaw et al. 2005).

In sum, when the multiple individual realities in an international joint venture are combined with the unpredictable, suddenly changing transition market, turbulence is the primary characteristic of the context. Entrepreneurial persons thrive in turbulent conditions (Dubini and Aldrich 1991) in which many traditional managers feel uncomfortable. It could be argued that new venture creation is about discussing the needs of the turbulent social context and creating new business that would satisfy the needs of the social context and decrease the turbulence. Therefore, an entrepreneurial manager in this approach is a negotiator who tries to make a deal with his/her social context about the use of resources in order to introduce something that would be valuable to the whole social context. The context is an active discussion partner whose various points of view must be taken into account. In the following, we conceptualise the behaviours for new venture organising using the concepts of opportunity discovery and effectuation.

Entrepreneurial opportunity discovery and effectuation of IJV managers

IJV organising in the turbulent Eastern Europe is not a rational, profit-maximising process. Instead, the means, ends and their relationships with respect to the new

business are created along the organising process (Shane and Venkataraman 2000). IJV managers are, thus, likely to behave like entrepreneurial individuals who discover opportunities for new business and exploit them by using effectuation behaviour. The grounding principle of our study is that, as we examine the social and voluntary world, we stress the social-constructive nature of opportunity discovery and effectuation at the same time recognising the opportunities that exist without human awareness of their existence (see Bhaskar 1998). Hereafter, we define entrepreneurial opportunity discovery and effectuation as a process of generating ideas, beliefs and actions about the new business according to a purpose defined along the way (Sarasvathy 2001; Venkataraman and Sarasvathy 2001).

Opportunity discovery Research on opportunity discovery has shown that it involves behaviours such as competitive scanning, proactive searching and innovative action (see Christensen and Peterson 1990; Kaish and Gilad 1991; Woo et al. 1992; Hills 1995). Muzyka (1997) suggests that the core of behaviour in opportunity discovery is strategic thinking, i.e. entrepreneurs try to determine what kind of possibilities there might be for new businesses. It is experience-based searching for something valuable but not yet available to customers.

Shane and Venkataraman (2000) argue that opportunities are new means–ends relationships between goods, services, raw materials and organising methods. Sarasvathy (2001) has widened this view by suggesting that entrepreneurship is not only a question of creating new means–ends relationships but also of creating new means and ends. Sarasvathy (2001) argues that it is not possible to logically deduce opportunities because the human information space is so complex that the best possible decision is impossible to predict. Therefore, when entrepreneurs are discovering opportunities by creating means, ends and means–ends relationships, there are no ready ingredients to be analysed, but the ingredients of an opportunity have to be created in the course of the behavioural process. It is like creating a game at the same time that you are playing it instead of trying to play a familiar game more effectively. Opportunity in the present study is defined as continuously developing sketch of a business based on conglomeration of fragments of information that have to be made sense of while the situation is developing.

Effectuation Opportunities need to be made real, and we see this to come about as entrepreneurial effectuation behaviour (Sarasvathy 2001). The market need is seldom so clear (ends), the fact of what we can offer and others cannot so well seen (means) and the definition of the way of linking the need and the offering so evident (means–ends relationship) that an analysis of the information would be possible (Sarasvathy 2001; Sarasvathy and Kotha 2001). This also applies to established companies (e.g. Christensen and Raynor 2003). Entrepreneurs use open-ended logic in which an analysis of the given situation is not that important and the social sense-making and construction of reality are emphasised (Sarasvathy and Dew 2005a). The more opportunities you discover and realise, the more opportunities there are to be discovered and realised.

Recent entrepreneurship research has shown that, in order to cope in an open-ended problem-solving space, the goals are modified along the entrepreneurship process (Dew et al. 2004). Many kinds of ideas are realised and tested quickly

without exact analyses (Dew et al. 2004). Entrepreneurs also search, right from the very beginning, partners with whom different issues are considered, talked about and made sense of (Sarasvathy 2001). Strategic partnering is the alternative for large-scale market research. Strategic partners provide information about the business and also share resources (Sarasvathy and Kotha 2001). Thus, entrepreneurs use effectuation strategies for performing many such things in which failing is affordable. By controlling the present, you do not need to forecast the future (Sarasvathy 2001). In addition, entrepreneurs seem to get close to the potential customers, discuss and observe what the customers might need and then start to create solutions already before they have products or services to sell. Thus, international entrepreneurship is a process of intertwined behaviours of opportunity discovery and effectuation in international contexts.

Initial framework The concept of entrepreneurship has changed drastically (e.g. Eckhardt and Shane 2003). Entrepreneurship was for long seen as leading a small business or as owner management. Nowadays, the core of entrepreneurship is seen to be discovering new opportunities and realising them irrelevant of the contexts in which they take place (Shane 2003). Entrepreneurship is creative activity where the goal, and often also the initial situation, is not clear, but instead, both are determined along the process. This is because there is not one right and best solution, and often, the initial situation is so complex and continuously changing that it is impossible to analyse it in a sufficiently broad and reliable manner.

The main challenge for the IJV managers as opportunity discoverers is to interpret, based on scattered and vague information, what kind of business will emerge in the future (e.g. Hills 1995). However, as forecasting the future is almost impossible, because of the complex developments in the environment, the managers use proactive searching. Proactive searching is behaviour to enact a vision of the future and based on this vision to establish a new venture. Proactive searching is about understanding small clues and enactment of future developments (Weick 1979; Sarasvathy 2001; Delmar and Shane 2004). Further, managers face the challenge of understanding the markets, especially the nonexistent markets. Therefore, managers use competitive scanning which refers to the behaviour of making tests in real and ideational levels to understand the competitive arena and unfilled customer needs (Christensen et al. 1994). The third challenge that the IJV managers face is how to combine the future trends and the market situation into an innovative solution. Innovative action is about questioning the present ways of doing things (Gilad 1984; Hills et al. 1999).

Effectuation consists of affordable loss bearing, partnering and turning problems into opportunities (Sarasvathy 2001). Affordable loss bearing means doing such things that failing in them does not risk the existence of the new venture. Partnering is central for understanding the competitive setting, customers and technologies and gradually creating the business over time. It is about collaborative sense-making with stakeholders and ensuring that they trust in the enacted vision. Sarasvathy (2001) suggests further that effectuation involves seeing problems and unexpected issues as possibilities. Surprises provide possibilities for reconsideration and creation of new alternatives for goal setting and achievement. We use the initial conceptual framework presented in Table 1 as the starting point for developing an empirically

grounded understanding of the IJV managers' entrepreneurial behaviour in organising a new business in a turbulent context.

Methodology

Research strategy

Processual research on organisations has been expanding significantly over the last few decades, and this methodological tradition was also followed here. In line with Pettigrew (1997) and Van de Ven and Poole (2005), a process is defined as a sequence of individual and collective events, actions and activities unfolding in a certain context over time (see also Buttriss and Wilkinson 2006). Organisations are regarded as being composed of organising processes (Van de Ven and Poole 2005). Human behaviour is recognised as being embedded in time, agency, structures, contexts, emergence and development (Dawson 1997; Orton 1997).

A qualitative case study has been chosen as the method of research in order to explore the dynamic process whereby change unfolds within a contextual, multidimensional phenomenon (Dawson, 1997; Orton 1997; Langley 1999). Case research represents a particularly strong method for studying change (Borch and Arthur 1995; Easton 2000; Meyer and Gelbuda 2006). Qualitative and longitudinal data were used to form an understanding of the phenomenon. The primary interview data were collected in the form of narratives of the IJV managers. This enabled producing an in-depth case study that can reveal the richness of behaviour over time in real-life context (Buttriss and Wilkinson 2006). The purpose was to get close to the phenomenon via the subjective accounts of the IJV managers. Yin (2003) emphasises the aim of analytic generalisation in case studies, which makes the sampling logic and issues related to it irrelevant. One case can create or test a theory to the extent that it uncovers reality (Easton 2000).

Table 1 Entrepreneurial behaviours in organising of a new venture

Dimensions of new venture organising	Related entrepreneurial behaviours	Descriptions of the behaviours
Opportunity discovery	Proactive searching	Behaviour in which the future is envisioned and actions grounded on the future vision and not the past
	Market scanning	Behaviour that scans the competitive arena actively and develops strategies that would create room in the competitive arena
	Innovative solution creation	Behaviour that implies a search for solutions which are not familiar to the members of the profession
Effectuation	Affordable loss bearing	Behaviour in which such things are done that failing in them does not bring down the whole venture
	Partnering	Behaviour that includes common sense-making with stakeholders
	Turning threats to opportunities	Behaviour in which surprises are seen as desirable because they create new options for the future

Data collection

The object of the study was a greenfield equity international joint venture that was established in Poland in December 1990 by Nordic and Polish partners. The period of analysis covers the years from 1989 to 2000. An advantage of this case company was that it operates in the field of chemical water treatment, for which no real markets existed in Poland at the end of the 1980s. The markets had to be created from scratch in the turbulent situation of a transition economy. This could make the case more revealing in regard to the opportunity-discovery and effectuation behaviours than cases in other industries or countries.

The case study process involved two phases of interviewing the IJV managers in 1997 and 2000. Altogether there were 11 in-depth interviews with nine managers. The interviewees included the IJV managers who have been operationally involved in IJV development over a 12-year period. The three managers representing the Nordic parent are those who, in practice, acted on its behalf in the establishment team of the joint venture in its early years. We can thus regard them as IJV managers rather than simply representatives of the parent. The Polish interviewees included a five-person management team of the IJV and its supervisory board member. Interviews with these persons proved to be useful on two counts. First, they had been involved in and responsible for different aspects of the IJV development at different times, and they had had good opportunities to follow the process even outside their own operational responsibilities (e.g. as supervisory board members). Secondly, they provided personal views and different perspectives.

In the first round of interviews, the managers were asked to give an account of the whole development process of the IJV. Describing the development of the joint venture in the form of a narrative helped the interviewees to recall their experiences and actions in connection with events that had occurred several years earlier. Narratives are not only stories told by people; they also describe a sequence of events and function as tools for the participants for making sense of and enacting their world (Pentland 1999). Thus, a process theory drawing on narrative data is particularly close to the phenomenon under study (cf. Langley 1999).

On the second round, a one-page questionnaire was first sent to all the operative managers in the joint venture to prepare for and get a reference data set for the in-depth interviews. The managers were inquired information on their background, their history in the joint venture, their responsibilities in its operations and their relationships. Questions were asked about the development of the joint venture in so far as the interviewee had been involved in it and knew something about it. The second round of interviews with two managers from the parent firms were in the form of free discussions because of their complementary nature.

The interviews lasted from 1 to 3.5 h and were tape-recorded. Some of them continued as informal discussions over lunch or dinner. To ensure as good a fit as possible between reality and the studied aspects, data were also collected from written sources (Easton 2000; Yin 2003). The secondary data included the feasibility study and the initial agreements from 1990, the yearly reports of the managing director of the joint venture for the period 1992–2000 and several published articles about the joint venture. The secondary data was an important supplement to the interview material when it came to constructing the case study narrative over a 12-year period.

Data analysis

A platform for the study was first created by selecting background theories and the major conceptual aspects to be covered. This preunderstanding was seen necessary in order to get as deep into the case examination as possible. Some researchers (e.g. Gummesson 1991) have also stressed both the impossibility of entering the field without any prejudice and the importance of preunderstanding for finding alternative interpretations.

The verbatim interview transcripts provided the raw data for the analysis. After each round of interviews, the responses were written down as chronological descriptions of the IJV development and were sent to the interviewees, who checked the accuracy of the early reports and added details if needed. The outcome was a description of the development of the joint venture through the various interaction phases as experienced by individual interviewees.

Next, we constructed a detailed description of the development of the joint venture based on all the individual descriptions and the secondary data. The resulting analytical report was then used for acquiring a holistic view of the IJV development (cf. [Buttriss and Wilkinson 2006](#)). The time frame from the beginning of the joint venture process in 1989 to the year of the joint venture's 10-year anniversary in 2000 provides the chronology that generated the first organising mechanism for the analysis. We were able to define various change forces at three levels of development as illustrated in [Table 2](#). We then imported the word-for-word interview data into a computer-based analysis program and reorganised the data by coding. The basic coding categories were chosen on the basis of the conceptual framework of the study and named according to the entrepreneurial behaviours. The sentences or paragraphs of the original data were first coded according to these categories, but the definitions were then allowed to rise from the data. This was important in order to reveal the special characteristics of the case and to describe the development of the international joint venture in the managers' own words. We then looked for connections between the behaviours and the change forces in order to create a context-sensitive understanding of the entrepreneurial behaviours as the drivers of international joint venture organising in turbulent markets.

Case study on organising an international joint venture in Polish markets

To begin the empirical analysis, we focus on the various change forces in the context of the IJV. In the analysis of the data, we defined six major periods of development. During the six periods, significant changes took place in the behaviours that were primarily driving the developments. The behaviours are connected with the major organising phases to illustrate how the opportunity discovery and effectuation have taken place over the organising process.

Change forces over time

The change forces are divided into three categories: internal, relational and external. The external change forces consist of the creators of change in the general transition

Table 2 Change forces during the organising process of the international joint venture in 1989–2000

Year	External force	Relational force	Internal force
1989	Beginning of the transition Opportunities and a threat of competition		
1990		Scepticism in the Nordic board Internal disagreements inside the Polish partner Noted need for risk sharing	
1991	Change of the investment law Insecurities of the transition Undeveloped markets	Nordic risk investor registered Polish management distrust on own staff Budget excess Polish top management change Swedfund loan	First IJV employees hired
1992		Customer relationship creation via a Czech firm	Production start-up
1993	Devaluation of the Polish zloty		Financial problems Management problems Change of the IJV managing director
1994		Subsidiary cooperation (Estonia)	Equipment department established
1995		Export agreement to a big German customer Nordic partner buying Nordic risk investor's shares Subsidiary cooperation (Czech Republic) Agreements with transport companies	Change in the customer strategy
1996		Imports of a new product	Investment in the production capacity
1997	Modernisation of Polish treatment plants Big flood in Poland	Cooperation with the Gdansk Water Fund Loss of tender for a big German customer Change of management of the biggest customer Agreement with the new transport company	
1998		Subsidiary cooperation (Russia) Win of tender for a big German customer Transfer to biological treatment by big customer	Choice of new strategic focus
1999	Strong competition by biological treatment	Change of Polish supervisory council members	Implementing new customer strategy
2000	Poland applies strict phosphorous limits	New distributor and transport agreements Agency for a new product of a US firm	

environment of Poland. Relational change forces include all the creators of change inside specific relationships. Most often, they are related to the strategic position building of IJV managers in relation to various business partners. The internal change forces consist of the creators of change inside the IJV and cover changes in the organisational structure and strategies as well as financial and management arrangements and person changes. The change forces are presented in Table 2. Naturally, the division into three kinds of change forces somewhat simplifies the reality. In practice, the external, internal and relational change forces are often related to each other. For example, a legislative change in the external environment may cause a change in the selling strategy of the firm, which then causes a change in how the firm approaches its customers.

Emergence of opportunity In the initiation period of 1989–1990, all change forces can be seen to be related to the beginning of Poland's transition to market economy. The opening of new possibilities to both foreign and Polish firms, the lack of knowledge of the Polish markets and the insecurity of the Polish developments are the basis for all changes. This external force, the transition process, leads to the perception of two threats by the Nordic IJV managers: competition created by the exports of the Polish partner to the Nordic partner's home market and change of an investment law providing tax holiday for new joint ventures. The threats are related to starting and accelerating the IJV establishment between the Nordic and Polish firms. At the relational level (in the parent relationship), all actors are insecure about how they should behave in the turbulent business context and feel the need for risk reduction. These forces induce acts to establish relationships supporting the joint venture establishment.

Convincing others The year 1991 was also greatly influenced by the transition process. The conflicts in the parental decision-making became the dominant change force, but the external turbulence created by the transition was a significant underlying factor. The distrust of the Polish employees' capabilities was a result of the insecurity regarding how well the planned economy practices would fit the emerging market economy. Behind the budget excess in the plant construction was the great inflation in Poland and the incapability of the managers to evaluate the costs as the value of money was changing rapidly. Several management changes in the Polish parent were also related to the changes at the governmental level. Finally, the underdevelopment of the markets, inherited from the planning economy, led to special efforts to create the markets.

Market making During the period 1992–1993, the production start-up required establishment of direct customer relationships and the actualisation of the financier relationships. The Nordic parent firm realised the transfer of marketing know-how, with an attempt to create initial markets for the IJV in connection with the intensive training of sales engineers. Also, these events were affected by the socialist background of Poland, which was seen, for example, in the recruitment and training procedures. The financial problems were, to a great extent, due to an external force, the devaluation of the zloty. The management problems resulted from unsuccessful choice of the managing director, who was unable to lead the Polish staff and to take

care of the relationships in Poland. Establishing relationships with the former socialist, government-owned organisations in Poland required different behaviour than is needed in western markets. Thus, a Polish managing director was hired.

Reorganisation of interaction The years 1994–1996 were characterized by more stability. The external environment was not causing such big surprises anymore. The Nordic risk investor was bought out. The IJV developed technically and participated in the cooperation of other business units of its Nordic parent. The number of customer relationships increased, which required new internal arrangements, such as establishing an equipment department, focusing on sewage treatment, investments in production capacity and new supplier relationships. IJV also began to import a new product from Sweden in order to prepare the market for possible production of its own. In addition, a cooperation agreement with the Gdansk Water Fund was established to influence the customers and authorities.

Legitimising in competition During the hard years of 1997–1998, the IJV lost three of its oldest and biggest customers (although one of them returned after a year). The influence of wider industry-level changes, such as modernising water treatment plants and applying biological treatment methods, can also be seen in the loss and weakening of some customer relationships. Moreover, the main reason for losing one customer was a big flood in Poland. The problems caused by the flood were intensified by the change of the company management that made a decision to change the supplier. In the end, the IJV chose a new strategic focus by adding a new product to the production line and widening the customer basis to small and medium-sized companies.

Strategic partnering The developments in the period 1999–2000 were affected by both the internal strategy changes and the external changes in the Polish environment. Internally, a strong emphasis was put on product specialties and offering total packages. The distributor network was widened, and new transporters were hired to satisfy the needs of the smallest customers. Changes in the supervisory council members and intensive cooperation strengthened the parent relationships. Strong competitors and legislative changes were the external forces influencing the actions.

Entrepreneurial behaviours in organising the business

Theoretically, we saw entrepreneurial behaviour for new venture emergence to involve the processes of opportunity discovery and opportunity effectuation which both include three types of specific behaviours. The two processes can be seen to be strongly intertwined in the actual new venture emergence. In the analysis of the interaction phases over the evolution of the joint venture, all six types of entrepreneurial behaviour could be identified (see Table 3). However, similarly to the discovery and effectuation processes, the six behaviours were also often strongly connected to each other. Therefore, seeing them as separate actions, as presented in Table 3, is somewhat controversial. However, we have made the separation in order

Table 3 Summary of the opportunity discovery and effectuation in the organising episodes

Phases	Opportunity discovery			Opportunity effectuation		
	Market scanning	Proactive searching	Innovative solution creation	Affordable loss bearing	Partnering	Turning threats into opportunities
Emergence of opportunity	Resource supply, market potential and competition analysis	Information search via embassies, etc.	Creating chemical water treatment in an emerging market with cheap resources	Risk minimisation through IJV establishment	Relationship building to local experts and institutions	Threat of competitor's entry into a cooperative business
Convincing others		An opportunity provided by the Ministry to the chosen partner and relying on high status, personal relationships		Risk minimisation through IJV establishment	Relationship building to the Ministry of Industry	Threat of competitor's entry into a cooperative business
Market making	Using marketing know-how of the parent	Creating the markets through export marketing assistance to a Czech competitor	Initial customer creation to convince the board	Selling shares to the Nordic risk investor	Customer and local expert contacts Use of mediating relationship with Nordic risk investor	Budget excess into parental compromises
		Building legitimacy with respect to the municipal customers through governmental owner		Creating personal relationships to customers	Cooperation with a Czech competitor	Non-existing markets into initial customer base
				Risk sharing through selling shares to National Fund	Governmental shareholder relationship establishment	Financial crisis into a legitimating shareholder relationship

<p>Reorganisation of interaction</p>	<p>Based on personal relationships</p>	<p>Building close personal relationships to customers to find decision-makers and get knowledge of the firm</p>	<p>Securing parental support</p>	<p>Personal relationship-based staffing and parental interactions</p>	<p>Problematic parent relationship into an IJV-mediated partnership</p>
<p>Legitimising in competition</p>	<p>Exports to test if the customer base could be widened</p>	<p>Using relationships with academics, consultants and designers</p>	<p>Widening the customer base to small customers served via distributors</p>	<p>Relationships with customers</p>	<p>Threat of losing money into in-depth knowledge on customers</p>
<p>Strategic partnering</p>	<p>Intensive interaction with customers and complementary producers</p>	<p>Widening the product range through internal and customer-based R&D as well as search for complementary supplies</p>	<p>Supporting others in the parental and customer network</p>	<p>Personal relationship building and activity in a subsidiary network</p>	<p>From average new venture into a innovative solution creator and trusted partner</p>
<p></p>	<p></p>	<p></p>	<p></p>	<p>Lobbying through political, academic and expert relations</p>	<p>Competitive pressures into wider influence networks</p>
<p></p>	<p></p>	<p></p>	<p></p>	<p>Personal relationship building with big customers and parents</p>	<p>From a small, limited chemical supplier into a total problem solver for the customers</p>
<p></p>	<p></p>	<p></p>	<p></p>	<p>International agency to complement offering</p>	<p></p>

to be able to go deeply into the core of the behaviours in this specific context of an international joint venture and transition markets.

With respect to the different behaviours related to the change forces and opportunity emergence, the turbulence of the Polish market and the related external change forces emphasised *market scanning*, i.e. careful analysis of the competitive arena. In opportunity emergence, the market opening in 1989 was seen to open up opportunities. However, very little was known about business making in the target market, and not much codified information existed. The market scanning was, therefore, primarily based on personal relationship-building and face-to-face interaction with the different experts of the market. The information received from these discussions was then decoded in a small group of Nordic managers on the basis of their formal knowledge and experience of the industry. In market scanning, the extensive knowledge of the industry enabled the managers to combine the fragmented information into a vision of the market potential, based on which it was possible to create a profitable new business.

Later on, market scanning was either based on the managers' industry experience (especially in the market-making phase) or based on the information received from personal relationships (in reorganisation of interaction). For example, the actions of customers in the modernisation of their water treatment plants were closely followed by the IJV managers through their personal relationships with the customers in order to understand the possible changes in the competitive landscape. An interesting core element of market scanning was the creation of market knowledge as a collaborative process of building common interests, as illustrated in the quotation below.

"I didn't know anything about Poland. It was only a country on the map. We visited the Polish business development bureau and talked to some people there, then visited the embassy and the symposiums they had. I got very much contacts in the market. This was important to sell the idea to our top management. The investment had to represent a clearly feasible opportunity. But for us the situation was such that we had to create a whole market to our products. I needed to get commitment from Gdansk, for example, that if we will start to produce chemicals in Poland they would buy them from us. Also, before we went to the Polish partner, we actually visited the Ministry in Warsaw and told the people there that we were looking for a partner in Poland. We got the Ministry to send them a letter that said that they recommend them to team up with us." Vice-Managing Director, Nordic partner

The above quotation also demonstrates the importance of *proactive behaviour* in opportunity emergence, which is also closely related to relationship building. The need for proactive behaviour was emphasised by the features of the external environment and by the joint venture partnership. In Poland in the end of 1980s, the market for chemical sewage water treatment was practically nonexistent. The possible customers were not aware of these types of chemicals and had never used them. Neither was the chosen partner firm interested in the nonexistent markets. Still, the proactive contacts to various experts, possible customers and even ministries implied to the Nordic managers that there are opportunities for new business. Proactive relationship building was also the means for convincing the actors to cooperate in the crucial relationships.

In market making, a specific proactive act was committed in response to the undeveloped state of the market and to avoid some problems beforehand. An example is the establishment of marketing relationship with a Czech competitor as described in the following quotation.

“I thought that as I am already in the neighbourhood I will go and visit that firm [a Czech chemical producer]. I then called our CEO that I’m going to make a letter of intent. I made a marketing agreement with them because I realized the possibility that we could this way begin the marketing of the products in Poland.” General Manager, Nordic parent

When a product very similar to the one to be produced in the joint venture was exported to Poland and applied by the Nordic experts together with joint venture’s marketing engineers, initial personal relationships with customers could be created and chemical water treatment introduced in many Polish plants. When a company is about to emerge and is still unknown in its markets of operation, proactive, personal initiatives are very important.

Innovative solution creation was in the present case typically intertwined with the proactive behaviour of the managers, of which the above discussion provides examples. The innovativeness of the solutions to the various uprising or expected problems need to be interpreted by taking into account the transition market context. The innovative behaviour is not really related to the offering of the joint venture or the way of organising its business but to the ways of adapting the western business concept to transition markets and the ways of influencing the crucial relationships in the turbulent markets. For example, the above-mentioned risky relationship building with a competitor could be defined, on the basis of the previous knowledge of the managers, to be a reasonable act in the specific situation in the Polish markets. In a way, the Polish market provided the IJV managers a possibility to cognitively and socially play with their ideas about the field. Without knowledge of the industry, it would have been hard to go for these often-risky ideas.

In addition to the utilisation of the competitor in market making, a core solution for opportunity creation, already in the opportunity emergence phase, was the combination of a western business concept and the almost free Polish raw material. In the convincing phase, the innovative solutions are intertwined with the proactive, third-party mediated behaviours of influence creation as was described in the first quotation. A third example of innovative behaviour that was strongly connected with the transition environment and joint venture relationship was the establishment of a shareholder relationship with a Polish governmental fund described in the following quotation.

“It was actually my suggestion to ask this National Fund to join us [as a shareholder of the IJV]. It could provide interesting possibilities: They were known in Poland and it also created trust among customers.” General Manager, Nordic parent

A manager struggling with market creation got the idea of trying to commit a governmental shareholder to the joint venture. The National Fund had been contacted already in the beginning to collect information on the markets. Now, a loan was applied for, and it was suggested that the organisation should become a

shareholder of the company. In addition to providing financing to the company, it also had a proactive network function to legitimise the new venture. It was expected to support chemical water treatment in building new plants and to create trust in the primarily municipal customer base by giving a governmental and a Polish status to the venture.

In the phase of reorganisation of the interaction, personal relationships were especially important because of the two features that characterised the customer base and interaction with the water treatment sector customers in transitional Poland: Firstly, the close relationships helped to find the real decision-maker in the huge state-owned customer firms, and secondly, they could be used in determining the financial state of the customer in order to avoid loss of money after delivery. In the later phases, the solution creation is still relationship-based but more similar to any opportunity creation in business networks. The influence of the transition environment and the joint venture relationship on the behaviours diminished towards the end of the period of analysis.

The above discussion of the case study has referred also to effectuation behaviours during the joint venture evolution. Establishment of a joint venture as such in the opportunity-emergence period is an example of behaviour for *affordable loss bearing*. Environmental dynamism of the transition market increased affordable loss-bearing behaviour of the IJV managers also later on. In the phases of convincing others and market making, the shareholder relationships to the Nordic risk investor and Polish National Fund were examples of this behaviour. The big and influential shareholders provided a good background for a certain kind of testing and opportunity effectuation in the transition environment. It was important to the IJV managers to secure the resource base in order to create new solutions despite the dramatic changes in the environment, as illustrated in the following quotation. It concerns the 1992 devaluation of the Polish zloty, which made the loans of the IJV in foreign currencies too heavy a burden for the new venture.

“The partners then decided to transfer the loans to share capital. Whose idea was it? [The managing director of Nordic risk investor] was sitting together with [the president of Nordic parent] to consider how to solve this problem. They proposed and Polish people accepted the solution.” Managing Director. IJV

In addition, in the reorganisation of the interaction phase, the parent relationships were well taken care of, and parental support was secured for the internal arrangements. On the other hand, the joint venture provided the parents a possibility to test new ideas on a smaller scale. Then, the Nordic managers included the joint venture managers in various projects as consultants for the newer ventures. Interestingly, due to the efforts by the IJV managers in securing parental support and by the Nordic parent managers in utilising innovative small-scale tested solutions in parent's other units, the relationship between the parents became largely mediated by the IJV managers.

As can be expected of a joint venture type of opportunity effectuation, *partnering* was a dominant feature of behaviour in all phases of the new venture emergence and evolution. In addition to the four ownership-based partnerships with the shareholders, the IJV managers actively built and utilised their social relationships in their

evaluation and decision making. They involved in the process their closest contacts, who they could trust completely. In addition, the IJV managers actively created new relationships and sought to construct a legitimate image of the new venture by building relationships to local experts and institutions, the Ministry of Industry, big customers, as well as mediating partners such as the Nordic risk investor. Partnering with various instances was the main behaviour for legitimating the new venture in the Polish markets. In fact, all the quotations above describe some kind of partnering behaviour. An interesting feature in the partnering behaviour over time is its context sensitivity and situation specificity. Although the partnering relationships as a whole seemed to institutionalise over time as organisational contacts between various managers, close personal relationships remained important in partnering with the Eastern European state-owned or newly privatised organisations as the following quotation illustrates.

“Who is the key person for us? It is not always the director. The director of a big company just thinks about how to maintain his position, the salaries of the employees, the general policy. [...] Sometimes the technologist is the decision-maker and the director is only signing. [...] Those people in my department have extremely good relations with the clients; we are friends of the clients even.” Marketing Manager, IJV

In each analytic episode, we could also see active behaviour to *turn threats into opportunities*. For example, the emergence of opportunity and the related convincing of others were based on a threat of a competitor's entry to the home market. This threat was then turned into an opportunity of cooperative new business creation in an IJV through market scanning, proactive behaviour, innovative solution creation, risk minimisation and partnering as described below by one manager.

“We talked about possible new markets and Poland was one of the areas which were of interest. [...]. We knew that there was a big titanium dioxide production in Poland and from that production becomes a lot of waste called copperas, which can be used for certain kind of water treatment. As you know we are very big in chemical water purification in the Nordic countries and have about 80–90 per cents of the market. When we entered Poland there were two important reasons. One was that there was a big threat that all the copperas would be sold to Western markets and would destroy our profitable home markets. Secondly, we saw the opportunity to create something in Poland, where the water really needed treatment. We had a very good concept with which we could clean the waters and be very competitive if we could do it in an own plant using Polish copperas and other raw materials and Polish labour.” Vice-Managing Director, Nordic parent

Quite often also, the threats resulting from dramatic external changes in the Polish environment needed to be turned into opportunities for new business and cooperation. The budget excess by the Polish parent in plant construction resulting from the rapid inflation in Poland was turned into parental compromises and opportunity of further cooperation through mediation by financier. In market making, a marketing agreement with a competitor was utilised in order to start the creation of the market in an affordable way already before own production was

ready. Partnering was thus directly connected to turning threats to opportunities. On the other hand, the managers responded to the threats arising from the relational and internal changes especially through interpersonal relationship building. For example, the tense relationship between the parent companies could be turned into an IJV-mediated relationship by utilising personal relationships in staffing the joint venture and by emphasising communication via these trusted IJV managers. Thus, the social capital seems to play a decisive role in turning threats to opportunities. The amount and activity of social interaction brings information to managers, makes it possible to anticipate the future and to evaluate the information from different viewpoints. Through social networking and sense-making processes, the managers of the IJV saw that what first presents as a threat is in fact an opportunity to further develop the business.

Summary of the findings

In the above case study, we can see how the emergence of the joint venture began with a few entrepreneurial managers. They saw the Polish market to present great opportunities for future profit making through a joint venture establishment. It would create chemical water treatment business in a market were it was still mostly an unknown practice. The above-described creation and effectuation of this opportunity shows how innovative managers who take risks find support for their ideas. They use networking to proactively avoid problems and to turn them into opportunities and use personal relationships and credibility to get others to commit resources into the venture (cf. [Larson 1992](#)). The relationships were the result of active utilization by the participating individuals of all kinds of means that are available to facilitate business development. The specific context both facilitated and constrained the entrepreneurial actions of the IJV managers (cf. [Birkinshaw et al. 2005](#)). The turbulence of the context created a lot of unexpected change forces to which some response was needed. The responses created changes in relationship networks as well as internal organising of the IJV.

Our longitudinal case study illustrated that when creating new international business, three kinds of activities are included. Firstly, there are social activities involved, where entrepreneurial IJV managers are absorbed into the emerging social community of the IJV, gaining from the influences, thoughts, work methods, resources and encouragement of others in the community (see [Coviello 2006](#); [Elango and Pattnaik 2007](#)). The visions and images of what kinds of business activities are needed are created through dialogue. In the theoretical framework of the present study, we described six types of entrepreneurial behaviours of which only one, partnering, was clearly relationship-based behaviour. Our case study shows how actually all the six types of behaviours are based on relationships and partnerships in variety of forms.

Secondly, cognitive activities are invoked in discovering and effectuating an entrepreneurial opportunity, where entrepreneurial IJV managers try to understand their environment and messages from the multicultural heritage about new ventures and business in general ([Sarvasvathy 2001](#); [Baker et al. 2003](#)). They try to make the complicated situation controllable. On the basis of the case study, industry knowledge and previous experience of the IJV managers are central background

for these cognitive activities. The specific context of the transition markets and the IJV operation mode can be seen related to this; they open up opportunities for replication of at least some elements of the parent's business.

Thirdly, the discovery and effectuation of opportunities are linked in the personal initiatives of the entrepreneurial IJV managers, who take concrete action and try to create the best possible solution for problematic situations (Baker and Nelson 2005; Jones and Coviello 2005). This solution, an opportunity, is not necessarily the most creative or best choice, but to the IJV managers in that situation and that context, it is the most realistic one. The personal initiatives actually intertwine the six entrepreneurial behaviours in the specific organising episodes. Furthermore, the turbulence of the context is likely to keep the venture management dominated by the need for entrepreneurial behaviour for quite a long time, although older ventures have been said to become dominated by managerial behaviour (Gartner et al. 1992).

In relation to the turbulent context, the IJV managers were not deterministic adaptors to environmental changes, but instead, they actively defined the developments in the context. On the other hand, the IJV managers were not searchers who blindly try to find the solutions by trial and error. Rather, the entrepreneurial IJV managers tried to interpret the present and future of the markets and even change and create the markets together with various partners. This behaviour created a situation where they were also prepared to bear some losses. As a result of continuous opportunity discovery and effectuation, the IJV become primarily organised in the reconfiguration of its business network.

Discussion and implications

The present research aimed at contributing to our knowledge of international entrepreneurship by examining a rarely studied entrepreneurial context of international joint venture development in transition markets. Despite the lack of previous research from this viewpoint, we saw the context-sensitive process approach (cf. Zahra 2007) to provide us the possibility to develop new knowledge on the opportunity-discovery and effectuation behaviours in the organising of a new venture.

As a response to call for process research on international entrepreneurship (Coviello and Jones 2004; Buttriss and Wilkinson 2006), we have produced an in-depth processual case study on the development of an international joint venture in transition markets. In our case analysis, we focused on the interplay of the entrepreneurial behaviours with the turbulent context created by the uncertain Polish transition economy and the insecurities of the international joint venture partnership. In other research, we have focused on the managerial action as a driver of the embeddedness in the network of relationships and the functions of interpersonal relationships in the organising of the joint venture (Mainela 2007; Mainela and Puhakka 2008). This highlights the richness of processual data and the multitude of evolutionary processes involved in the dynamics of business life (see Rehn, Strannegård and Tryggestad 2007).

We further propose that international entrepreneurship does not compose of a teleological view of life or processes (Alvarez and Barney 2007). It is a creative activity where the route is created as you go along (Sarasvathy and Dew 2005b).

International entrepreneurship is creative processing—it is the creation of impressiveness at a certain moment, and the prediction of the future and the setting of goals are secondary (see Hjorth 2007). The insecurities of the transition context and the IJV relationships could be seen to emphasise the capabilities to proactively avoid problems and quickly react to unexpectedly upcoming ones. Partnering with great variety of actors is the primary means for creating impressiveness and influence.

Furthermore, we argue that international entrepreneurship is not a simple and logical process. The discovery and effectuation of an opportunity needs creative insight of and sensitivity to what combines all the fragmented information (Brouthers and Bamossy 2006). If it were only a question of the arrangement of information, everyone would notice and realize an international business opportunity. For example, with a jigsaw puzzle, we know we are putting together a jigsaw and that every piece has its own place. By diligently and systematically testing the pieces, the puzzle is solved. An international opportunity discovery and effectuation is not this kind of a puzzle (cf. Sarasvathy 2001). Instead of a jigsaw, imagine a situation where you have the pieces but no concept of what you should do with them. Based on your own creativity, you have to conceive what the situation is about, work out how the pieces are linked, conceive a solution, conceive in what way the pieces bring about a solution, and understand the puzzle as a whole (Fletcher 2007). An international opportunity discovery and effectuation is, thus, more about creating a meaning based on scattered and ambiguous information rather than deriving a decision within a limited decision space and based on exact information (Barkema and Drogendijk 2007).

The original French term *entreprendre* well reflects what international entrepreneurship is fundamentally about (see Hjorth 2003). It is stepping into a multicultural and multihistorical activity space where it is known that new business is wanted, but what kind of business is still unclear (Holt 2008). It is about perceiving the character of new business as well as leaving the spatiotemporal space of a business opportunity. What happens inside this activity space is a very interesting phenomenon. If we think of this space and discovering and effectuating an international opportunity in it, it is not detached from its surroundings; nor is it a closed internal process from which business ideas emerge. This multicultural and multihistorical activity space is a temporal process where the mental creation and surroundings of the entrepreneurial managers are in continuous interaction with each other (Jack and Anderson 2002). Inside this international entrepreneurship space, something can happen that is absorbing influences from the present business activities and that is creating dynamism, chaos and irregularity as a result in the global economy.

Based on the above, we propose that this is the phenomenon in which international entrepreneurship as a research field should be interested (Matthews and Zander 2007). Therefore, the focus of research, development and management should not be on the opportunity recognition across borders but rather on the multicultural and multihistorical process of opportunity creation (see Baker et al. 2005; Alvarez and Barney 2007). Academic and managerial interests could be then on the two following questions: How are the opportunities socially created in the activity space in which the social space offers the dialectical tools and signs with which the opportunities for business are created? Where and why do the results (opportunities for business) change the global business landscape?

In this paper, we have suggested entrepreneurship theories to be viable tools for understanding the organising of cooperative ventures in turbulent contexts. In the context of transition markets and international joint ventures, the essence of organising seems to lie in the opportunity-discovery and effectuation behaviours of the individual managers. We wish to encourage researchers to look for entrepreneurial phenomena outside the most common small/independent business context. Entrepreneurship exists in many settings and can always be found when opportunity discovery and effectuation occur (Zahra 2007). For researchers interested in international joint ventures, entrepreneurship research gives insight into the organising of an infant firm, which an international joint venture initially is, although supported by the parent companies and their resources.

The managers acting in the transition markets especially need flexibility and constant alertness to changes in the relationship network and the external environment. Flexibility and alertness make the managers able to both take successful reactive actions as a response to some unexpected changes and proactively use relationships to avoid some problems. Proactiveness and innovative use of third-party relationships seem characteristic of acts leading to favourable development.

Finally, the research design of the study can be evaluated. In principle, a reliable study can be repeated. This requires, for example, minimizing the researcher's effect. However, to the realist orientation and ideographic approach adopted in the present study belongs acceptance of the fact that the view of the reality is created in interaction between the subject and the researcher. This is seen as crucial for understanding and creating meaning. Still, there exist several means of improving the overall credibility of the study if the research process as a whole is considered.

In the present study, validity and reliability were improved especially through researcher triangulation and some of the specific tactics suggested by Yin (2003). Internal validity was striven for by using previous research and theories as a frame of reference. With respect to external validity, the aim in this study was analytic generalization and, therefore, the use of only one case is not a problem, although small sample size is an impediment to statistical generalization. The construct validity was enhanced through the use of multiple sources of evidence. In addition, interviewees were given an opportunity to read the transcripts of the interviews and comment on them. Also, the narratives combining all interviews of each case were discussed with the key informants. The reliability of the case study design was also improved by developing a case study database. In all, an endeavour has been made to describe the research procedures above in such a detailed manner that it facilitates evaluation of the research process as a whole and makes it accessible to readers.

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