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**MARKET OPPORTUNITY DEVELOPMENT PROCESS: Multiple case study on
Finnish SMEs internationalizing to emerging markets**

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LIST OF FIGURES.....	3
LIST OF TABLES.....	4
ABBREVIATIONS.....	5
ABSTRACT.....	6
1. INTRODUCTION.....	8
1.1. Research gap and problem	9
1.2. Research question and objectives.....	12
1.3. Definitions.....	12
1.4. Limitations.....	14
1.5. Structure of the study.....	15
2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK.....	16
2.1. Opportunity formation process in international entrepreneurship	16
2.1.1. Epistemological perspectives to opportunity formation.....	18
2.1.2. The model of opportunity formation by Ardichvili et al. (2003)	23
2.2. Entrepreneurial planning in SMEs.....	32
2.3. Foreign market knowledge development in SMEs	36
2.3.1. From market orientation to market knowledge competence	40
2.3.2. Distinctiveness of emerging markets for SMEs.....	46
2.4. Preliminary theoretical framework.....	48
3. METHODOLOGY	52
3.1. Research philosophy.....	52
3.2. Research approach.....	53
3.3. Research design.....	54
3.4. Data collection and analysis.....	55
3.5. Validity and reliability	57
4. EMPIRICAL FINDINGS.....	59
4.1. Presentation of the case firms	59
4.2. Influencing factors.....	64
4.2.1 International exposure	65
4.2.2. Network-embedded market knowledge	69
4.2.3. Entrepreneurial alertness	77
4.3. From market orientation to market knowledge competence	82
4.4. Core process	97
5. CONCLUSIONS.....	104
5.1. Summary and discussion of the study	104
5.2. Managerial implications.....	117
5.3. Limitations and future research	118
REFERENCES.....	120
APPENDICES	130
APPENDIX 1. Interview guide.....	130

LIST OF FIGURES

Figure 1. Entrepreneurial opportunity process model	24
Figure 2. Relationships among orientations, knowledge competencies, market-based innovation and firm performance	44
Figure 3. Preliminary theoretical framework for market opportunity development	51
Figure 4. Revised theoretical framework for market opportunity development	115

LIST OF TABLES

Table 1 International exposure	68
Table 2 Network-embedded market knowledge	76
Table 3 Entrepreneurial alertness	81
Table 4 Market orientation	89
Table 5 Market knowledge competence	96
Table 6 Core process	102

ABBREVIATIONS

SME	Small and Medium Sized Enterprise
MNE	Multinational Enterprise
SMOPEC	Small and Open Economy
INV	International New Venture
IEC	International Entrepreneurial Culture

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ABSTRACT

The main objective of the thesis was to examine how international market opportunities develop in small and medium-sized enterprises (SMEs). The opportunity development of SMEs in international context has not been the focus of many in-depth qualitative studies. The theoretical part of the research focused on international entrepreneurship, opportunity formation, foreign market knowledge and network view. The preliminary theoretical framework is built on the concepts of market orientation, international exposure, network-embedded foreign market knowledge, entrepreneurial alertness and market knowledge competence. The theoretical framework also included the core process of opportunity development, which is defined by perception, discovery and creation of opportunities. The framework was empirically tested with a multiple case study. The empirical part was based on face-to-face interviews with Finnish SMEs developing market opportunities to emerging markets.

The empirical analysis supports the theoretical findings to a large extent. It can be concluded that entrepreneurs' and the SMEs' previous international experience had an impact on the opportunity development by increasing the alertness and foreign knowledge competence of the firms. In addition, empirical results support the theoretical finding that internationalizing SMEs develop their foreign market knowledge principally in networks. Furthermore, foreign information received from institutional, business and social networks worked often as an initiative for the SMEs to launch their opportunity development. Proactiveness and curiosity towards all information in networks are central for SMEs' market orientation. Market orientation developed towards market knowledge competence by processing the market information within their organizations. For this, inter-functional knowledge sharing and constant innovation were essential. The core process of opportunity development was dynamic and iterative. It included phases of both creation and discovery, although often shifting towards creation as the firm's market presence stabilized.

KEY WORDS: Market opportunity, market orientation, foreign market knowledge, networks, internationalization, emerging markets, small and medium-sized enterprises

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are operating in an increasingly global market environment. In an international business context entrepreneurs are faced with dynamic market forces that makes it more difficult for them to interpret and control the market changes as compared to domestic markets. SMEs aiming to enter emerging markets where the market is even more unpredictable and dynamic face many challenges including uncertainty, higher risks, and the burden of being foreign to the market and its local networks. In the emerging market context, firms may also not be able to apply their previous experience gained from other international markets, which makes the entry increasingly challenging. International entrepreneurship literature emphasizes the importance of proactiveness, innovativeness and ability to bear risk if SMEs are to succeed in developing foreign market opportunities. Yet, every successful enterprise has a creative and effective opportunity development process behind it (Ardichvili, Cardozo & Ray 2003). It is thus vital to better understand how SMEs develop opportunities, where they receive the incentive, what are the most important internal and external resources for them during the process, and in short, what the process looks like in practice. When concentrating on SMEs, also the role and effort of the entrepreneur is integral for a successful opportunity development. Being scarce on their own resources and competencies, successful SMEs seem to leverage network resources when internationalizing to dynamic markets (Sandberg 2013). Firms need to find trustworthy local counterpart that can help them to gain access to local knowledge sharing networks and to gain a trusted position in the foreign market. Especially for SMEs coming from small economies where the market potential is limited, the ability to spot and develop opportunities in the international marketplace can be seen as a crucial success factor for their survival and growth. Therefore, this study focuses on the market opportunity formation of Finnish SMEs internationalizing to emerging economies. The research aims to increase understanding of how opportunities are recognized and developed in an emerging market and what influences on the formation of the opportunity.

1.1. Research gap and problem

Knowledge about foreign markets is central for firms seeking to expand their operations abroad. This is particularly true to small and medium sized entrepreneurial firms that are characterized by limited resources and capabilities. Due to such firms' elasticity they are often quick to recognize, obtain and absorb foreign market knowledge. (Autio, Sapienza & Almeida 2000.) This so called absorptive capacity relates also to the ability of entrepreneurial SMEs to recognize the value of new external knowledge and apply it for their advantage. Liesch & Knight (1999) argue that internalization of foreign market knowledge is an important contributor to SMEs being able to compete in global markets dominated by large multinational enterprises (MNEs). While there exists a number of research on firm absorptive capacity and its outcomes, research concentrating specifically to the capacity of small firms to learn from international markets and the implications of such learning are very few (Musteen & Datta 2011).

Market orientation is closely linked to foreign market knowledge. It is a central concept in marketing literature and its connections to innovation and performance have been widely studied (e.g. Hurley & Hult 1998; Kumar, Jones, Venkatesan & Leone 2011). The concept entails that firms gain competitive advantage by understanding and satisfying customer needs more effectively and efficiently than their competitors (Kohli & Jaworski 1990). Knowing what customers want and what competitors are doing is important, but does not by itself transform into market-based innovations. In order to better understand how firms generate knowledge of new markets, including customers and competitors, and use it for their advantage, there is a need to look at how companies connect such knowledge to their core competencies and operations. (Jaeger, Zacharias & Brettel 2016). Theoretically, *market orientation* determines which information sources interest the firm (customers, competitors, networks or all of them), whereas *market knowledge competence* involves transforming information into knowledge. Orientations reflect what the firm wants to do or focus on, while competencies reflect what the firm can do to use the knowledge for its advantage (Ozkaya, Droge, Hult, Calantone & Ozkaya 2015: 311.)

The concept of market knowledge competence includes the processes that generate and integrate market knowledge and has been applied to earlier research especially when studying its positive effects on innovation and performance (Li & Calantone 1998). A study by Ozkaya et al. (2015: 310) notes however, that although there are several studies of market orientation and/or market knowledge competence in the US context, studies in the international environment are fewer. Also, in connection to internationalization, there exist a number of studies of how knowledge affects the decision of the most appropriate entry mode type used by firms (e.g. Eriksson, Hohenthal & Lindbergh 2006). More research is nonetheless needed to understand how knowledge development helps firms to commit themselves to local business networks and establish operations in foreign markets (Johanson & Vahlne 2006; Sandberg 2013).

Every new business creation, innovation and strategic decision is leaning on recognition of an opportunity. Identifying opportunities is considered among the most important abilities of a successful entrepreneur. Therefore, explaining the discovery and development of opportunities is central for entrepreneurship research (Venkataraman 1997). Some elements of an opportunity may be recognized but the general view in research is that the process includes perception, discovery, creation, development and evaluation – not simply recognition (Christensen, Madsen & Peterson 1994; Singh, Hills & Lumpkin 1999; Ardichvili, Cardozo & Ray 2003). For example, investigation and sensitivity to market needs as well as having the ability to spot ineffective use of resources can lead the entrepreneur to develop a new opportunity. Several studies have already contributed to understanding better the opportunity formation process. They have however mainly concentrated only on one aspect of the process at a time. For example, Hills, Lumpkin & Singh (1997) have studied the social network context and Shane (2000) the prior knowledge and experience necessary for opportunity recognition. Furthermore, in relation to the international context, Coviello (2006: 714) states that a need exists to understand international new ventures' (INVs) networks not only at internationalization, but also at pre-internationalization and pre-founding phase. Although this thesis does not discuss INVs, but focuses on internationalising SMEs in general, Coviello's statement is also applicable here. This thesis is a response to the

need to further study opportunity development process in the early internationalization phases of SMEs. Finally, Ardichvili et al. (2003: 107) argue that academia is still far from developing a comprehensive theory of opportunity identification and development.

Moreover, previous studies of foreign market knowledge acquisition have been primarily conducted of firms operating in developed markets (Rialph, Rialph & Knight 2005). Considering the hyper competitive business environment, which internationalizing SMEs often face especially when aiming for emerging markets, there is a need to better understand the process that SMEs go through when exploring market opportunities and acquiring relevant knowledge from the emerging markets. This study contributes to literature by providing insight into the opportunity phenomena in developing market context. Small internationalizing firms often have limited financial and managerial resources and lack the internal capabilities, including market knowledge, networks and foreign business experience needed for successful foreign market penetration. This is true also in the case of Finnish SMEs that are the focus of this research. Governmental support for internationalizing SMEs, such as grants, loans and market information, is often quite general in nature and can be scattered across different governmental agencies. In addition, there seems to exist a clear misalignment of support offered and received due to different beliefs of what is important between the government and the companies in Finland. (Sepulveda, Gabrielsson, Gabrielsson & Hallbäck 2011: 48)

Hence, taking into account all these challenges emerging business environment brings on internationalizing SMEs, there is an apparent call for more studies on how entrepreneurial opportunity formation and market knowledge competence develop in such a setting. Consequently, the aim of the thesis is to understand how SMEs, during their early internationalization phase, recognize, develop and evaluate opportunities that appear in the international environment. Furthermore, the thesis will explore the acquisition of information that leads a company to take steps from being purely market-oriented towards building market knowledge competence that is seen as a catalyst for discovering or creating an opportunity. This includes studying how companies acquire the most relevant information particularly for their purpose, how they apply this gained

information in their opportunity formation process and develop it into an innovative market advantage.

1.2. Research question and objectives

On the basis of the research gap the main research question is: *How do Finnish SMEs recognize and develop business opportunities when entering emerging markets?* To answer the main research question the study will further examine the following objectives that arise from the theories of opportunity formation and foreign market knowledge:

- (1) What are the main influencing factors for developing the opportunity in the studied SMEs?
- (2) How does the core process of opportunity development look like in the studied SMEs?

1.3. Definitions

Emerging markets

There exist several definitions and classifications for emerging markets but in a wide perspective, and as defined for the purpose of this thesis, they are growing markets that are in the transition stage from a pre-market economy stage to the market stage. One of their key determinants is the informality of the markets. Lack of information or lack of reliability of information has proven to be one of the major reasons not to invest in emerging markets. (Gaeta 2012: 2.) Emerging markets also differ from developed markets because they suffer from institutional weaknesses and market failures. Yet, such markets have become interesting market areas for many SMEs expanding their operations abroad. Under such conditions companies rely more on relational capital and social networks to achieve their targets. (Khanna & Palepu 2010.)

SMEs

According to Statistics Finland (2016) definition, “small and medium-sized enterprises (SMEs) are enterprises which have fewer than 250 employees, and have either an annual turnover not exceeding EUR 50 million, or an annual balance-sheet total not exceeding EUR 43 million”.

Foreign market knowledge

Foreign market knowledge refers to the knowledge of business practices and potential opportunities related to foreign markets. It includes knowledge related to local culture, competitive conditions, customer needs, and the broader institutional environment. (Musteen & Datta 2011.) Importantly, the acquisition of such knowledge has been linked to the decrease of uncertainty in the minds of managers, resulting in an increased level of interest in international markets among small entrepreneurial firms. (Sapienza, Autio, George & Zahra 2006.)

Market opportunity

The idea of an opportunity is broad and there is no one definition for it in the entrepreneurial literature. In short, the definition of a market opportunity in this thesis follows the definition by Shane & Venkatamaran (2000), which arises from entrepreneurial research. They describe an opportunity as a situation in which goods or services can be introduced and sold at more than their cost of production (Shane & Venkataraman 2000: 220). When discussing the nature of opportunities, entrepreneurial literature focuses on defining whether opportunities are made, found, or something in between. (Hänti 2014:71). Opportunity may appear as a vague market need or under-employed resources or capabilities. It may include inventions, which are not yet in a specific market or ideas for products or services. Prospective customers may not be able to clarify their needs, interests and problems. They might however recognize the value in something presented to them. (Ardichvili et al. 2003:108.) Christensen, Madsen & Peterson (1994) point out that opportunities can be understood as both the initial business idea that leads to the creation of a firm as well as further ideas that improve the situation of an existing firm. Same applies to opportunity formation in emerging

markets. Some companies find opportunities in emerging markets to expand their pre-existing business offering, for others the opportunity in the emerging market is the initiator for their business operations in the first place. As the market need and resources become more clearly defined, opportunity starts to develop from its elemental form towards a business concept. This contains core understanding of how the market need might be served or the resources deployed (Ardichvili et al. 2003: 109.)

1.4. Limitations

This research focuses on the *opportunity formation* part only, thus excluding the following business concept development and implementation phase. Although this study looks at strategic planning and analysis of foreign market entry in the formation phase only, it recognizes the continuous need of companies to re-determine their strategy on the basis of changes in the business environment. Thus, strategy as well as opportunity formation are hereby understood as a constantly evolving process as opposed to a linear model. This is especially true for companies operating in a dynamic environment such as emerging markets, where the need to adapt to changes in the external environment is constant. The opportunity formation is chosen as a cover term in this thesis because it well captures the wide array of theoretical terms of the opportunity literature including recognition, discovery, creation, construction and so forth. Opportunity formation is thus here operating as a neutral term that does not take a stand for how active or reactive the process leading to the opportunity has been. It therefore gives space for a richer interpretation of the process in the empirical part. The data is collected from SMEs that have recently penetrated to emerging markets. Therefore, the opportunity formation observed in this thesis takes into account only those opportunities that have lead to actual business operations. The thesis excludes cases where opportunities have been deemed unsuccessful after evaluation and have not been developed further.

1.5. Structure of the study

The first main chapter of the thesis introduces the research topic and points out the research gap. It then presents the research problem and research questions, followed by a definition of the main concepts, limitations to the study, and the structure of the thesis. The second chapter is comprised of the literature review. Firstly it studies how the opportunity formation process has been discussed in the literature on international entrepreneurship and explains the opportunity formation model by Ardichvili et al. which works as the basis for the theoretical framework. Secondly the literature review moves on to discuss the distinctiveness of entrepreneurial planning in SMEs. Thirdly the chapter explores how foreign market knowledge develops in SMEs. This is studied specifically through the concept of market orientation and market knowledge competence. Also the distinctive features of emerging market context are presented. Finally, on the basis of these theoretical findings, the literature review provides the preliminary theoretical framework. The third main chapter focuses on the methodological premises of the thesis. It explains research philosophy, research approach and research design of the thesis. It then moves on to discuss how the data was collected and analysed and lastly provides information on the validity and reliability of the thesis. The fourth main chapter presents the empirical findings. It includes the presentation of the case firms and the analysis based on the interview results, principally following the structure of the preliminary theoretical framework. Finally, the fifth chapter, conclusions of the study, provides a summary and a discussion of the thesis, followed by limitations, managerial implications, and suggestions for future research.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Existing international business literature on SMEs' internationalization agrees that internationalization is an active entrepreneurial process, in which the owner/entrepreneur plays a key role and resource (Lu & Beamish 2001; Ciravegna, Majano & Zhan 2014; Andersson 2011). Thus, before discussing the opportunity formation process (Ardichvili et al. 2003), which lays the foundation for the theoretical framework, it is useful to open the concept of international entrepreneurship, specifically in connection to opportunities. The chapter will then move on to introduce varying theoretical approaches to opportunity formation, which highlight that only one approach is not appropriate when interpreting the opportunity formation process in the analysis chapter. The general discussion of the opportunity approaches will be followed by an elaboration of the theoretical model of Ardichvili et al. (2003). The model is based on a collection of articles on opportunity process and thus offers a valid basis for the theoretical framework of this thesis. It will be however complemented with the theory of foreign market knowledge. This is seen as an appropriate addition to the theoretical model since the opportunity identification and development model by Ardichvili et al. (2003) does not acknowledge opportunity development that takes place in international context nor is specifically related to SMEs. The development from market orientation to market knowledge competence is seen helpful here in order to understand how entrepreneurs discover or construct opportunities. Finally, based on a combination of these theories, the theoretical framework of this thesis will be presented at the end of the chapter.

2.1. Opportunity formation process in international entrepreneurship

Since the focus of this research is on internationalizing SMEs, it is purposeful to discuss strategic planning and entrepreneurial characteristics of SMEs principally in the international context. What distinguish "entrepreneurial" firms from other firms are for example their smallness, newness, resource constraints, liabilities of foreignness, high

levels of uncertainty, and the often creative and proactive perspective of decision-makers (Nagy, Blair & Lohrke 2014; Butler, Doktor & Lins 2010; Acs & Audretsch 2010). In comparison to large firms, small and new firms have to survive with less financial and human capital. As a result of being new in general and/or new to the market, they face liabilities of newness, which increases the chance to fail. Liabilities of foreignness refer to the disadvantage relative to local firms when operating in foreign markets as compared to larger companies. Decision-making is centered on the founder(s)/owner(s) as opposed to large firms where more parties are often involved in decisions concerning for example internationalization. (Terjesen, Acs & Audretsch 2010: 440-441.) Although systematic study on entrepreneurship has taken place since the end of 1980s, entrepreneurship research in global perspective is relatively new (Acs & Audretsch 2010: 1). International entrepreneurship started to attract attention after scholars developed the concept of international new venture (INV). According to Oviatt & McDougall (1994) international new ventures are born when internationally experienced and alert entrepreneurs link resources from multiple countries to meet demand that is inherently international. During the 21st century the research on international entrepreneurship has taken a step towards observing entrepreneurs in a truly global scope. Yet, models that would examine and explain the link between opportunities and international entrepreneurship are still few. (Butler et al. 2010: 122, 132.)

This thesis adopts the definition of Zahra & George (2002: 261) of international entrepreneurship as the “process of creativity discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage.” Their definition is based on the initial definition by Oviatt & McDougall (1994) and its further advancement by McDougall & Oviatt (1996). As can be seen, this definition emphasizes entrepreneurship as a creative and active process, which applies also to opportunity literature. While terms such as international new ventures, born globals and global startups are all used in academic literature, international entrepreneurship operates as a shared concept among them (Butler et al. 2010: 122). Thus, although this research leans on the more general term of internationalizing SMEs, literature

discussing for example INVs in connection to international entrepreneurship and opportunity formation is also found as a valuable addition to the theory part.

As can be seen from the above-mentioned definition for international entrepreneurship, opportunities are seen as the core of entrepreneurship. Entrepreneurship is connected to the actions of individuals, who actively identify and exploit opportunities. Also Shane & Venkataraman (2000) argue that entrepreneurship *is* the study of opportunities:

The field [entrepreneurship] involves the study of sources of opportunities; the process of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them. (Shane & Venkataraman, 2000:218)

Identifying and choosing the best opportunities for a new business is considered among the most important abilities of a successful entrepreneur. Hence, in order to understand what promotes or prevents entrepreneurial activity, it is important to understand how entrepreneurs find, create and develop opportunities.

2.1.1. Epistemological perspectives to opportunity formation

On the philosophical level, the origin of opportunities has generated wide debate between realist and constructionist approaches. More recently the creation theory has come to complement and connect these two foundational approaches in the so-called evolutionary-realist view. It is central to understand the different epistemological approaches to opportunity process in order to then interpret how entrepreneurs/foreign operations' directors of the SMEs interviewed for this research understand their own path to the opportunity formation.

Realist view

The realist view is rooted in Austrian economics as opposed to the more traditional neoclassical economics by assuming markets provide imperfect information. Markets

are composed of people who possess different information and therefore having particular information allows some people to see value in something that others would not. For realists, reality exists objectively and independently of individual perceptions. There is a real world existing independent of our attempts to know it but we can have knowledge of that world. In entrepreneurial literature this realist school of thought is known as the *discovery* of opportunities or the individual/opportunity nexus approach. This assumption means that reality is taken as a given, unrelated to an entrepreneur or customers. Opportunities would thus exist in the market for the entrepreneur to simply recognize and discover them. (Gaglio & Katz 2001.) Even though there are different stages in the formation of an opportunity, in realist view opportunities nonetheless exist independent of individuals' perceptions. Furthermore, in realist approach opportunities arise from imperfections in markets such as changes in technology or consumer preferences. An entrepreneur has to be alert to spot these opportunities and see those that have the greatest potential. Realists have studied several possible differences between entrepreneurs and non-entrepreneurs. It is thought that entrepreneurs often have knowledge of previous experience in the industry or market that helps them in the discovery process. (Alvarez, Barney & Young 2010: 25.)

Some scholars even argue that entrepreneurs will discover only those opportunities that are related to their prior knowledge (Venkataraman 1997). Entrepreneurs are also believed to be more alert to the existence of opportunities than non-entrepreneurs due to the prior knowledge. This helps them to begin the search for opportunities in the first place. Realist perspective does not believe that anyone is more likely to spot an opportunity across all opportunities. (Shane 2000: 450.) Rather, people's prior knowledge forms a "knowledge corridor" that allows them to recognize certain opportunities, but not others (Venkataraman 1997). Furthermore, it is thought that recognizing opportunities requires a careful, planned, and systematic search process (Ansoff 1988; Drucker 1998.) This follows the logic of causation and is rooted in the rational decision making perspective of neo-classical micro-economics (Chandler, DeTienne, McKelvie & Mumford 2011; Sarasvathy 2001). Causation processes are seen effective in situations of static environment and when the future is possible to predict (Andersson 2011: 631). The discovery view is however limited to assuming that all

opportunities can be put under empirical investigation and tested for validity (Shane 2003; Alvarez et al. 2010).

Some realists believe that it is not only due to the systematic search and knowledge corridors that entrepreneurs discover opportunities but that their personality plays a crucial role too. For example Shane & Venkataraman (2000: 451) see that alongside prior knowledge, personality is an important factor to understand why some people spot opportunities. According to Shane (2000) there are two alternative explanations for the discovery of opportunity: search and recognition. The psychological theories usually focus on human attributes that make some people to choose entrepreneurship over others because of specific personality traits. According to such theories, some people therefore also possess a better ability to discover opportunities than others. Their psychological characteristics such as superior information processing ability and search techniques make it easier for them to search for and identify opportunities. (Shaver & Scott 1991: 39.) In short, such theories assume that personal attributes rather than information determines who becomes an entrepreneur and that the process of opportunity discovery depends on people's ability and willingness to act (Shane 2000, 449).

Constructionist view

The realist view is limited to discussing either the nature of the opportunity or the nature of the entrepreneur. It thus disregards the entrepreneurial process that places emphasis on the interaction between the individual and the opportunity. To overcome this shortcoming the constructionist view points out that reality is a product of social interaction and does not exist independent of individual perceptions. The social action, institutions and conditions that are presented as objective reality in the realist view, are in constructionist view constructed through interaction and interpretation of people. Similarly entrepreneurship is a social undertaking. (Sarason, Dean & Dillard 2006: 287.) Entrepreneurs start from interpreting their relationship to the resources they have in possession. They thus observe where they are and what resources they have in reach and make decisions accordingly. Because of individual interpretation they give meaning

to a phenomenon, knowledge or resources that is different from anyone else's perception. Individuals make decisions on what opportunities to create and then use available resources to reach their goals. In this, social interaction plays a crucial role. Entrepreneur and an opportunity cannot be separated because it is due to the differences in their perception, cognitive beliefs, and interpretations that they are able to construct opportunities. Entrepreneurs construct, deconstruct and reconstruct an existing reality to form a new reality, and thus an opportunity. (Alvarez et al. 2010: 27.)

The constructionist approach leans more on the logic of effectuation (Sarasvathy 2001) as opposed to causation; entrepreneurs design the future based on their available resources including networks, and the environment. The process of opportunity formation is in this view thought to empower entrepreneurs as opportunities are conceptualized and developed by the actor as part of the venturing process (Sarason et al. 2006: 287). The concepts of effectuation and causation in relation to SMEs' planning and decision-making during internationalization will be further elaborated in chapter 2.2. As the realist view, also the constructionist view bears ontological limitations. The understanding that knowledge and opportunities are relative, presupposes a commitment to a minimal logic and this implies that knowledge would always be relative. It would thus be impossible to make any comparative judgments. As a consequence, constructionists have moved towards the evolutionary realist approach, which views knowledge as the outcome of functionally oriented behaviour. (Alvarez et al. 2010: 28.)

Evolutionary realist view

The realist and constructionist views both give valuable insight of how opportunities are formed but they bear clearly conflicting assumptions about the nature of reality. This thesis thus leans more on the contribution of evolutionary realist approach, which combines the realist and constructionist approaches. It solves the ontological dilemma of these opposite views and provides a more holistic lens when later interpreting the opportunity formation process of the studied SMEs in chapter 4. Evolutionary realist view assumes that reality is as individuals perceive it but also that an objective reality plays a role in how individuals' beliefs and perceptions take form and change. (Alvarez

et al. 2010: 28.) In this same line of thought, Sarason, Dillard & Dean (2010) argue that the structuralist view and critical realism both offer useful lenses to better understand entrepreneurial process of opportunity formation. They write that entrepreneurs do not only respond to market gaps but co-evolve with social structures to create opportunities. Therefore, the best approach would be not to debate on which approach is superior but to accept epistemological and ontological pluralism and consider that both realism and constructionist view teach us something. After all, entrepreneurial opportunity formation is such a complex social phenomenon that it needs to be looked through multiple lenses, not only the objective/subjective continuum. Entrepreneur and opportunity are compared to the illustration of a dancer and a dance; both can be studied separately but they also rely upon and define one another. Thus realist and constructionist view would only be different slices of the nexus of the entrepreneur and opportunities. (Sarason et al. 2010: 238-239). The evolutionary realist approach is closely related to the creation of opportunities. The creation theory assumes opportunities do not exist until entrepreneurs act to create them - individual develops both the opportunity and the market. Entrepreneurs create opportunities through constant resource combination and recombination. (Chiles, Bluedorn & Gupta 2007: 467.) As a result, entrepreneurs do not wait for an opportunity and then act, but rather act, wait for a response from the market, and then readjust and act again. Hence, entrepreneurs may have presumptions of how markets react to their efforts but are rarely able to see the end result. Opportunities are not understood before they exist and they can only exist when they have been created in the process of acting and reacting. (Alvarez et al. 2010: 30.) Sarasvathy, Dew, Velamuri & Venkataraman (2003) expand the opportunity discussion by referring to supply and demand. They argue that in case neither the demand nor the supply exists, the entrepreneur can create an opportunity. In this view, the creation of the opportunity is therefore born simultaneously with the creation of new markets (Sarasvathy et al. 2003: 145-146.)

Hänti's (2014) case study on the interconnection of marketing and entrepreneurial opportunity process brings empirical support for the evolutionary realist view. Similar to the summary and findings of Sarason et al. (2010) about the ontological debate in entrepreneurship literature, the longitudinal multiple case study (Hänti 2014) found that

the concepts of discovery and creation might operate in parallel and contribute to each other. Accordingly it is not feasible to concentrate on the dichotomy between them. The study also states that the realization of an opportunity process depends on the value expectation of both the entrepreneur and the customer (Hänti 2014). This view can be seen to place emphasis also on the marketing efforts of the SME while also acknowledging that there is a certain “demand stance” that stands at least to some degree objective of the entrepreneur’s efforts. In other words, demand can partly exist but it can also be created and reinforced which again holds the idea of a reality being simultaneously objective but also under the influence of entrepreneur’s efforts. When interpreting the data, the thesis leans on the evolutionary realist view presented in this chapter. The researcher thus views the data by leaving it open for the results to show whether the opportunity development is purely on the discovery or the creation side or something in between. It is expected that the concepts of discovery, construction and creation are not exclusive to each other but their emphasis can be context and thus case specific.

2.1.2. The model of opportunity formation by Ardichvili et al. (2003)

The theoretical model (Ardichvili et al. 2003) depicted in figure 1. is constructed on several academic articles of opportunity formation and thus provides a solid backbone for the empirical framework developed in this thesis. As discussed in 2.1.1. the model follows the evolutionary realist view that acknowledges both discovery and creation as possible paths to the opportunity formation. The process is understood as a continuous and proactive course, in which the entrepreneur plays an active role. Based on findings from earlier research, Ardichvili et al. (2003) argue that *entrepreneurial alertness* seems to be a more powerful determinant of discovery (accidental or purposeful) than level of activeness of search. (Ardichvili et al. 2003: 115, 120.) Where to draw the line between active search and being more passively alert to opportunities is debatable. In general, recent research supports Ardichvili’s findings of the importance of entrepreneur’s proactiveness towards the process (Andersson 2011: 638). Specifically when discussing

in the context of *international* entrepreneurship, several scholars argue that a proactive attitude in the opportunity process is a distinctive feature and may bear positive effects on firm performance (McDougall & Oviatt 2000; Andersson & Evangelista 2006; Ciravegna et al. 2014). This indicates that opportunities would be rather made than found.

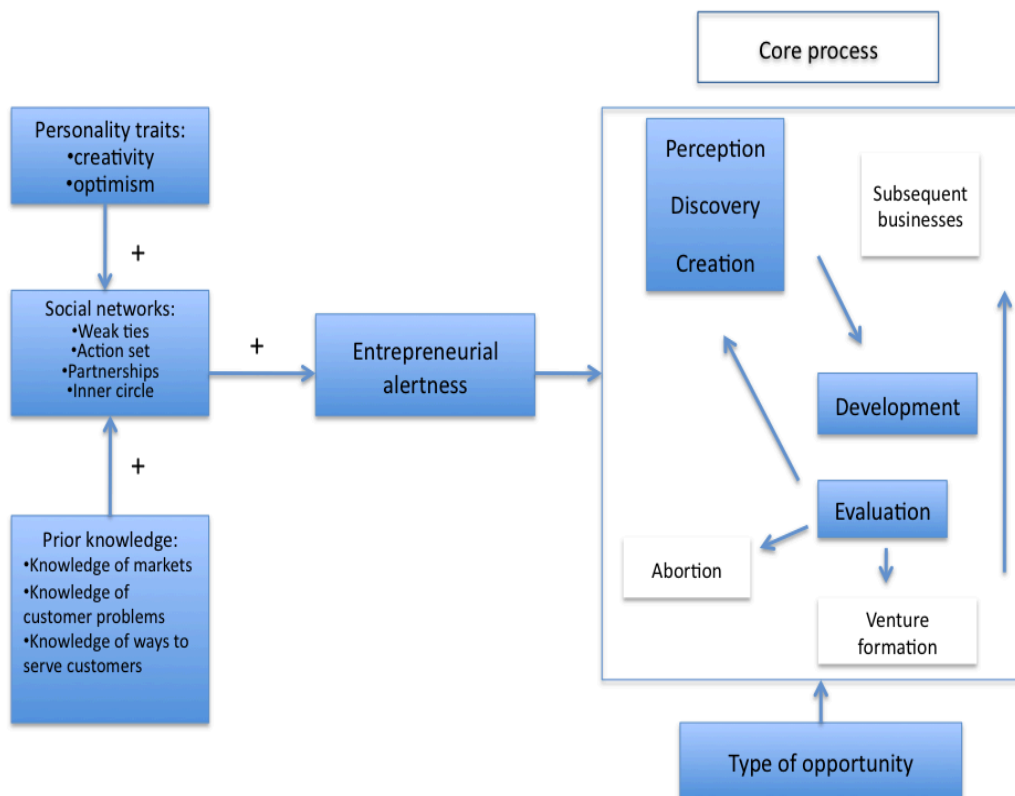


Figure 1: Entrepreneurial Opportunity Process Model (adapted from Ardichvili et al. 2003: 118.)

The core process

Opportunity formation starts when there is a certain level of entrepreneurial alertness present in the individuals. In the model by Ardichvili et al. (2003) entrepreneurial alertness depends on three specific areas of influence: personality traits, social networks and prior knowledge. The core process of the model is formed on perception, discovery, creation, development and evaluation. Opportunities evolve from simple concepts to more complex and detailed as the entrepreneur start to develop them. The model makes a distinction between *opportunity development* and *opportunity recognition*. Ardichvili

et al. (2003: 109) note that when discussing recognition, previous literature in entrepreneurship concentrates on three distinct processes including 1) sensing or perceiving market needs and/or unemployed resources, 2) recognizing or discovering a fit between particular market needs and resources, and 3) creating a new fit between the needs and resources that finally develops into a business concept. Thus, *recognition* may include *perception*, *discovery* and *creation*, and recognition should not be understood as simply discovering something already formed. Perception refers largely to individual differences in identifying or recognizing a certain market need or underemployed resources. Individual differences in perception have been explained by genetic differences, background and experience and the amount of information entrepreneurs possess of a certain opportunity. (Ardichvili et al. 2003: 110.)

According to the discovery theory opportunities are discovered as a result of exogenous shocks in the environment. In such a setting growth opportunities are objective in nature and independent of entrepreneurs. This means that also decision-making is riskier. By scanning the environment entrepreneurs can discover opportunities for growth and then analyze the data to understand outcomes and probabilities related to decisions of whether to pursue the opportunities. However, context influences greatly to what degree it is possible to estimate the opportunities in such a causal manner. The opportunity formation is better described with *creation* than discovery when the growth opportunities are formed endogenously by the actions, reactions and endorsement of entrepreneurs. (Alvarez & Barney 2007: 123.) In figure 1 creation is understood as the business concept development that follows perception and discovery. In this line of thought “creation of a business concept that matches market needs with resources must logically follow perception of both the needs and the resources”. Business concept creation may require more than just adjusting the current match of needs and resources. In some cases it may mean dramatic restructuring or even a radical business innovation. (Ardichvili et al. 2003: 111.)

Perception, discovery and creation form *opportunity development*, which is seen as a continuous and proactive process necessary for any business formation. This understanding does not therefore consider creation and discovery as concepts of

opposite ends. Discovery is understood as a part of the process but only as a step towards a business concept creation. (Ardichvili et al 2003: 109.) Development takes place simultaneously with *evaluation*, since opportunities are evaluated at each stage of the development process. Often the evaluation is informal and un-articulated until entrepreneur concludes that certain market needs or resources need further consideration and the evaluation and development process become more formal. This might mean, for example, a feasibility analysis that investigates whether the combination of resources available will deliver the economic value sought. An opportunity that is deemed unfeasible for further development and implementation may be revised or *aborted* as figure 1. shows. The core process of opportunity development is preceded by *entrepreneurial alertness* and its *influencing factors*, which will be discussed next.

Entrepreneurial alertness

The ability to see and develop a link between knowledge and business opportunity requires skills and competencies that opportunity literature refers to as the entrepreneurial alertness (Kirzner 1973; Rowshan, Adnani & Joodzadeh 2014). In short it has been described as “an attitude of receptiveness to available opportunities” that are often overlooked (Kirzner 1997: 72). The concept of alertness assumes that recognition of an opportunity is always preceded by a state of heightened alertness to information. This has been also referred to as the entrepreneurial awareness (Ray & Cardozo 1996) and it contains a tendency to notice and be sensitive to information concerning patterns and events in the environment. Accordingly, personality traits and the environment interact and create conditions that can enhance entrepreneurial alertness. Sensitivity is needed especially towards maker and user problems, unmet needs and interests, as well as fresh combinations of resources. As the figure 1 indicates, alertness is more perceptive when several factors come together simultaneously including personality traits, relevant prior knowledge and experience, and social networks. The model in figure 1 divides knowledge into two domains that bear a critical influence on the alertness: special interest and knowledge and experience in a specific product and customer market. (Ardichvili et al. 2003: 106.) Some authors (Timmons & Spinelli

2004; Baron 2006; Tang 2007) propose that alertness is inherently related to aspects in personality. Entrepreneurs would thus possess personality traits that help them to be on average more alert and notice opportunities that others miss. Tang (2007) discusses this as the extraordinary sense of “smelling” opportunities and being on the lookout for unnoticed features of the environment. Entrepreneurs may not be conscious of such ability themselves. This characteristic of alertness implies that opportunity identification behavior would be more the result of fortune than the result of deliberate search. Yet, it is also believed that alertness is for the most parts a learned skill that can be developed. Previous knowledge of a certain area of interest increases the likelihood to recognize certain opportunities. (Rowshan et al. 2014: 67.) This view applies that everyone senses and recognizes different aspects in markets or industries due to their different interest and experience (Gaglio & Katz 2001). An open and friendly environment has also been found to enhance entrepreneurs’ ability to “switch on” the alertness. Such an environment includes a favorable view of the society towards entrepreneurship and public support for entrepreneurial activities. For example experienced entrepreneurs and discussions with relatives and friends about resource acquisitions and strategies can build up the feasibility and desire to alertness. (Tang 2007: 131.)

Qing & Chen (2009) have presented a conceptual model, in which alertness is composed of three dimensions: search, re-formulation and critical insight. The dimension of search refers to entrepreneur’s willingness and activity in searching for new business information. Dimension of re-formulation refers to entrepreneur’s habits to connect new information to previous knowledge in order to discover new opportunities. This includes also seeing relationships between seemingly unrelated parts of the data. The dimension of critical insight then again refers to how quickly the entrepreneur is able to select high-value opportunities among under-valued opportunities. The three dimensions of alertness thus form a cycle of data collection, data conversion, and data selection. (Rowshan et al. 2014: 69.) This view emphasizes entrepreneurial alertness as a path from information to knowledge and bears several similarities to the literature of market orientation and market competence development as will be discussed in chapter 2.3.

Prior knowledge

People tend to notice information that is related to their prior knowledge. Knowledge from something people already know will trigger the recognition of value in any new information. Linked to the realist view that opportunities are formed based on different sets of knowledge of markets, Shane (2000) argues that any entrepreneur is able to recognize only opportunities related to his or her prior knowledge. Shane has studied the opportunity recognition especially in relation to technological change. The study proposes that technology does not generate obvious entrepreneurial opportunities, which would allow anyone to discover the same opportunity results. Rather, no one can identify the complete set of opportunities in a given technology and compare systematically them to discover the best option. Every entrepreneur's ability to spot the chances is limited by cognition and specialization of knowledge. Furthermore, the prior distribution of knowledge in a society has an effect on who recognizes certain opportunities. Thus, entrepreneurs do not discover opportunities because of some special attributes (e.g. unusual perceptive ability) but because their prior knowledge helps them to spot certain opportunities better than others. This would entail that entrepreneurs are more likely to discover opportunities through recognition than active search. (Shane 2000: 465)

Baron (2006, 112) refers to prior knowledge as the "raw material" that helps entrepreneurs to search for patterns that may suggest business opportunities. For example, prior knowledge of a particular market, industry, or group of customers would enable them to develop more accurate prototypes and a broader range of exemplars. In terms of internationalization, prior international experience affects in the initiation of international operations - the more experience entrepreneurs have the more likely they are to actively search for new opportunities in foreign markets. (Ciravegna et al. 2014: 1087.)

Social networks

A variety of studies illustrate the importance of networks as entrepreneurial resources. Ardichvili et al. (2003) refer to the research findings of Hills et al. (1997) and De Koning (1999) that underline the critical influence networks have on the opportunity recognition. Hills et al. (1997) show that entrepreneurs with extended networks identify significantly more opportunities than more secluded entrepreneurs. Companies use different strategies to search for new clients such as trade fairs, advertising and different types of networks (Kontinen & Ojala 2011). Specifically for SMEs close network ties have been found beneficial in this respect. For example in China the use of social ties as a resource is connected to the concept of “guanxi”, trust-based networks. This is an ancient tradition of relying on inter-personal trust, which has been found useful for both domestic and foreign firms operating in Chinese markets. (Ma, Yao & Xi 2009.) Especially to access information and deploy relevant resources flexibly the use of informal social networks has proven crucial. (Zhou, Wu & Luo 2007.) Networks are important not only for the trust-building among different partners but also for knowledge accumulation. Miettinen, Lehenkari & Tunnainen (2008), who studied biotechnology firms, found that building up new knowledge through network collaboration enhances a firm’s core competence. Knowledge building in networks or the so-called network learning is about mutual learning, which encourages the creation of new knowledge.

Consequently, many authors argue that there is a need to integrate the network view more closely with SMEs’ internationalization theories (e.g. Jansson & Sandberg 2008; Ciravegna, Lopez & Kundu 2014). The view entails that the process of acquiring knowledge about foreign markets as well as the following internationalization are driven by learning that takes place centrally in networks. According to the network view internationalization is at core about initiating, developing and maintaining a position in the foreign market network (Sandberg 2013: 107.) Such a position is considered to be especially important for SMEs (Coviello & McAuley 1999) and when entering developing markets (Danis, De Clercq & Petricevic 2011). This is because when firms

face dissimilar contexts learning through networks is said to become even more vital (Meyer & Gelbuda 2006).

Networks can be divided into different sets. Ardichvili et al. (2003) suggest that entrepreneurs develop opportunities through active interaction in a wide set of network. This includes the inner circle (people that the entrepreneur knows from long time and has stable relationships with), action set (people recruited by the entrepreneur as a necessary resource for the opportunity), partnerships (start-up team members) and a network of weak ties (a network that helps to collect information and can lead to identifying an opportunity). (Ardichvili et al. 2003: 115.) Networks may also be divided simply into personal contacts and inter-firm networks. Networks that support internationalization can be inherited or actively built by entrepreneurs. A study by Ciravegna et al. (2014) found that networks helped SMEs to penetrate the first foreign market with varying network-related tactics including the help of client-supplier relationships, personal contacts, chance and active network building strategies. Also, it was found that finding international market opportunities through client-supplier relationship was more reactive whereas internationalization through personal networks was more strategically and actively pursued (Ciravegna et al. 2014: 917). Yet another way is to divide network structures into social networks and economic networks. Literature suggests that social ties are more important in the beginning of internationalization whereas economic ties become more important in the later phases of international operations. Nonetheless, current literature shows mixed results in this matter. (Coviello 2006: 717.) In general, there is a need for further research and evidence on network building mechanisms and their role in the international business opportunity recognition process. (Ciravegna et al. 2014: 919.)

Personality traits

Generally, entrepreneurial research has mostly been unable to find distinctive personality traits that only entrepreneurs would possess. Ardichvili et al (2003) point to two factors that stand out in literature review and have been connected to opportunity recognition, namely optimism and creativity. The link between *optimism* and higher opportunity recognition finds support among a number of researchers. It refers

specifically to optimism about one's ability to achieve difficult goals. This is also called self-efficacy; trust in one's own abilities and the competence to evaluate one's knowledge and abilities. (Ardichvili et al. 2003: 116.) In cognitive psychology the notion of self-efficacy has been associated with initiating and persisting goal-oriented behaviour. This kind of optimism is believed to be among the key attitudes of entrepreneurial thinking. (Krueger & Day 2010.) Organizational research also shows that a person with perceived self-efficacy is more likely to spot opportunities over threats in any given situation (Neck & Manz 1996).

The second personality trait that is generally supported in entrepreneurial opportunity literature is *creativity*. Recognizing opportunities is believed to be inherently a creative process. For example Keh, Foo & Lim (2002) argue that cognitive processes explain why others spot opportunities where others fail to acknowledge them. Butler et al. (2010) suggest that international entrepreneurship calls for more cognitive creativity than other types of entrepreneurship. Interestingly, solo entrepreneurs find creativity more important than networked entrepreneurs. This suggests that those entrepreneurs that have large networks are also networked well to opportunity sources and may not need to be as creative as solo entrepreneurs. (Hills et al. 1997.)

Scholars often discuss opportunity formation either as being influenced by creativity or as a creative process in itself (Hansen, Lumpkin & Hills 2011). For example Acedo & Florin (2006:52) argue that entrepreneur's proactiveness and international orientation would be the primary influencers for creativeness and innovative behavior. In the model by Ardichvili et al. (2003) creativity is viewed in the former way, as an individual characteristic of an entrepreneur. Higher level of creativity is seen to enhance entrepreneurial alertness. Butler et al. (2010) argue that successful international entrepreneurs are gifted in leadership and this skill is largely a function of creativity. It can appear, for example, as creativity to generate ideas and evaluate their quality. However, it is also believed such creativity can be trained and developed through conscious actions and attitudes. Hansen et al. (2011: 526) suggest that creative processes are by nature iterative and that is why creativity is involved in multiple stages of the opportunity recognition process. Considering the cognitive nature of creativity,

there is a request for more multidisciplinary research to further understand its significance for opportunity recognition and formation. (Butler et al. 2010: 131.) Same applies to other personality characteristics of (international) entrepreneurs. Understanding them requires cognitive studies that pure business oriented studies are unable to study coherently. In this thesis the personality traits presented in the model by Ardichvili et al. (2003) are thus left out of the empirical study. Creativeness is however taken into consideration as an inherent part of the whole opportunity development.

Experience and the perceptions individuals have about the firm and the environment in which they operate have been found to notably boost internationalization. Therefore, this thesis will take into account *individual international posture*. The concept arises from a study by Acedo & Florin (2006), who argue that former exposure to international things develops an international mindset, which again enhances entrepreneur's confidence to effectively face the challenges and uncertainties of international entry. Familiarity with foreign markets may develop, for example, through travel, having lived abroad or language knowledge. All these enhance entrepreneur's likeliness to consider international expansion as an opportunity for growth. The individual international posture also helps to bear the complexity and risk that is inherently higher in international opportunity process compared to domestic context.

2.2. Entrepreneurial planning in SMEs

Strategic management is at core about setting the fundamental aims of the firm, choosing the most appropriate goals to reach those aims, and fulfilling both over time (Karami 2007: 1). While the research on strategy in large corporations is extensive, the research in SMEs, particularly in entrepreneurial firms is still limited. There is little knowledge of, for example, how business strategies are formulated and implemented in SMEs and how their special characteristics affect the strategy formulation. (Chan & Foster 1999: 56.) To explain strategic planning in the opportunity formation of internationalizing SMEs, previous research has tended to draw on resource-based

theory, internationalization process models, transaction cost theory, network theory, knowledge and learning or risk management, thus excluding the entrepreneurial characteristics. For the most parts, it is not fruitful to compare and investigate SMEs' strategic management practice with that of large corporations and look into theories developed primarily for multinational corporations. The process of strategic planning in marketing has often been explained with traditional decision-making perspective. The logic is that firms should start with an analysis of the firm and its environment, and then create a plan, which is implemented and controlled. In such causal business creation the entrepreneur is thought to strategically select the product market space that they plan to enter or create and then, by arranging required resources, implement an explicit strategy. Such a causal model therefore also suggests a planned outcome. (Kasouf, Morrish & Miles 2013: 39.) Yet a causal model that proceeds systematically from many alternatives to one goal is less applicable for SMEs in general, and internationalizing SMEs in particular (Andersson 2011: 631). Thus more recently academia has concentrated on the close interface of entrepreneurship and strategic management in SMEs. It has become evident that entrepreneurial attributes heavily direct the strategic planning and decision-making process of SMEs. (Söderqvist 2011: 10.)

Effectuation logic starts from a given set of entrepreneur's characteristics, what they know (knowledge corridors) and who they know (social networks) (Andersson 2011, 631). Decision-making logic that follows effectuation is incremental suggesting that entrepreneur makes small decisions based on current resources and capabilities. It is also iterative – the entrepreneur plans and remakes decisions until desired outcomes are met. The process is inductive meaning that the quality of decisions is collected only after decisions are made. (Alvarez et al. 2010: 37.) Being dynamic and opportunity driven, among its core principals are also mentioned affordable loss over expected gains, cooperation over competition analysis and leveraging contingencies rather than avoiding them (Kasouf et al. 2013: 35). It therefore compliments earlier research on SMEs' strategic planning by incorporating the pro-active entrepreneur in the planning process and is driven by available resources as opposed to end goals.

When it comes to internationalization, earlier research has found that internationalization activities happen in stages (Luostarinen 1979). Research in today's global environment however argues that such a stage-wise progress is no longer applicable. SMEs proceed more rapidly to foreign markets (Oviatt & McDougall 1994) and especially in business-to-business firms (Gabrielsson & Gabrielsson 2013). Also, causal planning and decision-making has been found more effective in static environments, where the future is fairly predictable as opposed to turbulent market environments (Sarasvathy 2001). Seeing opportunities is often more difficult in international setting and the entrepreneur's ability to bear uncertainty is an important catalyst for spotting and acting upon such opportunities (Butler et al. 2010). This is also applicable for emerging markets, where the environment is in constant change and harder to predict. Results suggest that international growth is no longer directed by efforts to overcome uncertainties in the institutional setting of foreign market. Rather the growth is driven by the increasing knowledge of foreign opportunities and takes often place in networks. (Johanson & Vahlne 2009.) Therefore, in terms of decision-making logic, in the emerging market context effectuation logic ought to be more applicable for firms that start international activities soon after their establishment and/or the markets are previously unknown to them. (Oviatt & McDougall 1994; Knight & Cavusgil 1996).

Effectuation logic does not however imply that SMEs would not practice rational planning. Rather, the approach to planning is more dynamic than the traditional causal view indicates. Effectuation logic applied to an empirical study of companies that internationalized from inception shows that although development might be controlled by a vision to grow, the entrepreneur is able to see and tap into opportunities that are not in line with the plan. (Andersson 2011: 638). Thus, instead of using market research before deciding which markets to enter, a company may enter several markets in short time with a resource-lean entry-mode that makes losses affordable. In the case study by Andersson (2011) this tactic was supported by close cooperation with distributors, who acted as a valuable source of knowledge and networks. Instead of focusing on markets with largest sales potential, the effectuation logic enabled the company to enter many different foreign markets at once. Markets were chosen on the basis of distributors with

whom the company was able to form a strategic alliance. (Andersson 2011: 637.) Such an example is in line with Sarasvathy's (2001: 252) notion that effectuation predetermines how much loss is affordable and focuses on experimenting with as many strategies as possible. A company may change between causal and effectual logic depending on the circumstances but effectuation is used more frequently when decisions have to be made in very uncertain settings, when entrepreneurs try to create new opportunities to exploit and when the outcomes following a decision cannot be known beforehand (Alvarez et al. 2010: 38). Effectuation is also seen very network-dependent (Gabrielsson & Gabrielsson 2013). It is centrally not about making a decision between certain choices but action, in which aims are being formed in cooperation with the network members (co-creation). This view entails the understanding that the environment can be modified and the world is still "in the making". (Hänti 2014: 59.) Accordingly, in previous studies causation has often been connected to opportunity recognition and discovery, whereas effectuation to opportunity creation (Sarasvathy 2001; Chandler et al. 2011; Gabrielsson & Gabrielsson 2013). It can therefore be expected that in dynamic markets, such as the emerging market context, where companies choose effectuation over causation, opportunities are rather constructed or created than simply discovered.

Sarasvathy's (2001) findings indicate that causation would be more common among novice entrepreneurs, whereas effectuation would be more prevalent among experienced entrepreneurs. It seems also that effectuation is more typical in the initial phases of business operations and as the firm grows its reasoning and actions might turn towards the causal approach (Hänti 2014; Gabrielsson & Gabrielsson 2013). Opportunity creation and explorative learning have been found more common in the early phases of growth while opportunity discovery and exploitative learning in latter phases (Gabrielsson & Gabrielsson 2013). Also the prevalent market conditions affect how the entrepreneur approaches a certain market and its opportunities. Andersson (2011: 638) argues that effective leaders are able to use effectuation logic in unpredictable situations and causation logic in predictable situations. A surprising event that opens an opportunity can cause the entrepreneur to change from causal to effectual action. Spence & Crick (2006) found in their empirical study that both emergent and

planned strategies took place in internationalization of high-tech SMEs. This is corresponding to the findings of Ardichvili et al. (2003) that opportunities can be unknown until discovered and sudden occurrences might produce a change in the approach. Furthermore, a multiple-case study among Finnish SMEs (Hänti 2014: 213) indicates, that in cases when companies followed the effectuation logic, the development stage of the market was a more substantial determinant for the decision than the entrepreneur's former experience or expertise.

2.3. Foreign market knowledge development in SMEs

There is a general understanding that market information and knowledge is essential for a successful management of a firm's operations. Entrepreneurs need to identify current and emergent customer needs and gain information of competitors' strategies. The more complex the market environment is, the more crucial it is to gain critical market information for successful business operations. (Kuada 2008: 18.) In addition to direct link to firm growth, knowledge increase has also been found to influence the estimation of risks, especially among internationalizing SMEs. Knowledge accumulation decreases the feeling of risk so that the more knowledge a firm has, the less uncertain it perceives the foreign market to be. Firms that possess little knowledge about foreign markets have a propensity to overestimate risks. (Jansson & Sandberg 2008: 67.) Knowledge needed for internationalization is often divided to either general that is, related to how to do international business, or market- or customer-specific knowledge of certain foreign markets (Eriksson, Johanson, Majkgård & Sharma 1997; Hilmersson 2014). Knowledge can also be classified to objective and experiential. Objective knowledge can be taught whereas experiential knowledge develops through experiences. Most research supports the view that experiential knowledge rather than objective knowledge is the most valuable kind of knowledge for international growth. (Johanson & Vahlne 1977; Sandberg 2013; Hilmersson 2014.)

Experience-based knowledge of internationalization has been found to increase firm's ability to recognize opportunities in foreign markets (Hohenthal, Johanson & Johanson

2003). Experience-based knowledge is important especially for ensuring that perceptions related to international opportunities are more precise and realistic. During market entry, experiential knowledge also reduces uncertainty to commit to foreign operations. (Johanson & Vahlne 2006.) Furthermore, a study of decision-making in SMEs found that previous experiences in international setting are a valuable asset for a firm as they support information processing in the future (Jansen, Curseu, Vermeulen, Geurts & Gibcus 2013). As Hilmersson (2014: 804) notes, “these experiences lay a platform for encoding of cognitive schemas and scripts with regard to particular situations or contexts”.

In internationalization literature, experiential knowledge holds an essential position and has taken a central role in most internationalization models. According to the internationalization process theory, knowledge accumulation is continuous and depends upon the experience of foreign operations. The longer firms have been involved in foreign operations, the more knowledge they build up about such operations. Firms learn as they transform experience into useful knowledge. (Eriksson et al. 1997.) This view thus entails that the learning process is gradual and takes place by doing. Hilmersson (2014) has studied Swedish SMEs with entry experience into newly-opened or emerging markets. Based on the study, experiential knowledge can be divided into four main types: internationalization, institutional, business network and social network knowledge. The emphasis on networks is relevant since in internationalizing SMEs the experiential knowledge increase has been found to develop centrally in networks. Interaction in relevant networks provides SMEs with the essential knowledge to further internationalize. (Coviello & McAuley 1999; Johanson & Vahlne 2006; Sandberg 2013.) Therefore also the development of networking capabilities are important for SMEs’ international growth (Gabrielsson & Gabrielsson 2013). The most general type of knowledge, internationalization knowledge, represents the sum of all previous international experiential knowledge (e.g. Johanson & Vahlne 1977; Eriksson, Majkgård & Sharma 2000). Earlier findings reflect that any international experience is useful in future international operations and relevant in all markets (Zahra, Ireland & Hitt 2000.) The three other types of knowledge in the division (Hilmersson 2014) are more market-specific. Institutional knowledge refers to the host country’s macro

environment and institutions including cultural patterns and business climate. Such knowledge grows incrementally when a firm sets itself in the host country. It is separate from business network knowledge, which is more specifically related to the firm's knowledge of clients, competitors, and other actors in the local business network. The greater the business network knowledge, the higher the degree of insidership in the foreign business networks. The fourth type of knowledge, social network knowledge, arises from a parallel stream of research to the business network knowledge. It however emphasizes that knowledge grows and develops in social connection, particularly when looking at SMEs' knowledge development. It includes people who an individual knows or who are known by people the individual knows. (Hilmersson 2014.) SMEs seem to rely more on social networks and personal contacts during the internationalization process than large companies. Social networks have particular importance when a company does not have previously established business contacts in the host market. Thus, relationships outside the pure business network are also important for an internationalizing SME. (Musteen & Datta 2010.)

Firms develop experiential knowledge in a wider social network setting than their immediate business contacts. Hilmersson's (2014) study concludes that for companies entering into emerging markets, social network knowledge has been found of high importance. Yet, companies hold various knowledge profiles to begin with and thus the development of experiential knowledge and its use as a competitive capability for business development varies among SMEs (Gabrielsson & Gabrielsson 2013). Particularly the degree of institutional and social network knowledge has been found diverse between internationalizing companies (Hilmersson 2014). Companies entering emerging markets often need to build the market specific knowledge largely from scratch as such markets may be recently opened and prevent former experiences of them. Thus, general internationalization knowledge is found to be less useful and market-specific knowledge even more important as a catalyst for a successful entry into emerging markets. (Sandberg 2013: 111.) Another study confirms that the lower the institutional development in an emerging market is, the more value SMEs give for social networks in new business activity (Danis, Clercq & Petricevic 2011).

The effects of various kinds of knowledge on entry mode types have been studied extensively. Yet, there remains a need for more research on the link between knowledge development and how small companies establish themselves in international markets and engage to local business networks (Johansson & Vahlne 2006). There are a few novel contributions to the topic; as has been described in chapters 2.2. and 2.3. recent findings in general challenge the linear and phase-like manner of internationalizing SME growth. Yet there remains a call to understand the internationalization of SMEs and their decision-making logic more holistically. (Levie & Lichtenstein 2010; Gabrielsson & Gabrielsson 2013.) For this the above-described network approach can open new avenues. Integrating internationalization process theory with network approach helps to see (Sandberg 2008) foreign market entry foremost as a process of creating, developing and maintaining a position and relationships in the foreign market network (Johanson & Mattson 1988; Sandberg 2008). Relationships can therefore be seen as engines for SME internationalization. Such an approach has been found especially significant for smaller firms (Coviello & McAuley 1999) and entries to emerging markets (Salmi 2000; Sandberg 2013). Interaction in relationships is essential for new knowledge creation, which in turn is necessary for further internationalization (Chetty & Agndal 2007).

Although it is not appropriate to concentrate on the internationalization process theory and the network approach in this thesis as such, their different emphases on knowledge development in SMEs give useful insight of the phenomena of opportunity formation in general. Both process model and the network approach see knowledge as central to a firm's internationalization, as it lowers the liability of foreignness (Sandberg 2013: 111). While the internationalization process theory highlights the importance of entrepreneur's experiential knowledge for any future market entries, the network approach complements it by acknowledging the value of relationships for SME internationalization. The internationalization process theory emphasizes gradual internationalization through cumulative experience development (causal reasoning), whereas network approach and the inherent effectuation logic give more attention to the importance of networks during SMEs' opportunity formation and development process.

2.3.1. From market orientation to market knowledge competence

Since foreign market knowledge is such a central element in SMEs' international market opportunity formation, it is relevant to further discuss how information develops into market knowledge. For this the concepts *market orientation* and *market knowledge competence* are helpful. Market orientation is one of the dimensions of a firm's strategic orientation. Although there are several definitions for market orientation, there is a consensus that market orientation reflects the need for an organization to be market-oriented or market-driven. This thesis mainly utilizes the culture-oriented approach by Narver & Slater (1990), according to which international market orientation is a culture that effectively and efficiently constructs necessary firm behavior for the creation of superior value for foreign customers. Such behavior is built on acquiring and then internally disseminating information about buyers and competitors. Market-oriented firms are expected to collect, interpret and use market information in a more organized and attentive way than less market-oriented firms. (Narver & Slater 1990.) Market oriented culture is also seen as creating norms for organizational behavior regarding responsiveness to market information. (Lafferty & Hult 2001). Narver & Slater (1990) underline market orientation as a firm culture and propose a set of three components: *customer orientation*, *competitor orientation* and *inter-functional coordination*. The first two components look at what/how firms sense in *external* environment. The third looks at the *internal* coordination processes within these firms, often referring to organizational structure.

Customer orientation implies that a firm has a sufficient understanding of its target buyers in order to create superior value for them continuously (Narver & Slater 1990). Such firms are expected to channel information quickly to different functional areas within them and this increases the firm's ability to interact with its customers more effectively. Customer-oriented firms hold knowledge as the key to taking care of their customer relationships. (Kuada 2008: 19.) Narver and Slater (1990: 21) note that the seller must understand not only the cost and revenue dynamics of its immediate target

buyer firms but also the dynamics of the buyers' buyers from where the market demand derives. Such a holistic understanding includes knowledge of the economic and political constraints in the foreign value chain. In another description of market orientation by Kohli, Jarowski & Kumar (1993: 473) this has been described rather similarly; the focus is on customers and on the forces that drive their needs and preferences. Narver & Slater (1990: 21) also argue that a comprehensive framework is necessary for the firm to understand who its potential customers are at the moment, who they may be in the future, how their needs may change, and what they perceive as relevant satisfiers of their needs now and in the future. This idea is similar to a more recent finding that successful entrepreneurs create and exploit opportunities with a long-term orientation that is focused on fully meeting customer needs (Hills, Hultman & Miles 2008:108). It needs to be noted however, that the measure of market orientation has initially been developed for large corporations, not SMEs. For this reason, in relation to market orientation Narver & Slater (1990:21) stress, for example, that customer knowledge should not be kept only within the marketing department of the firm and Kohli et al. (1993: 468) note that knowledge of the market place should be disseminated both vertically and horizontally within the firm. Such behaviour can be expected to happen more inherently in SMEs, where separate marketing departments rarely exist and information flows more freely among all employees due to the smaller size of the organization. What highly customer-oriented large and small firms can be expected to share is the cultural perspective that Narver & Slater (1990) underline; an organizational culture with embedded beliefs and values that makes all employees committed to continuous creation of superior value for customers.

Competitor orientation holds a similarly deep understanding of competitors as the customer orientation holds of customers. According to the definition by Narver & Slater (1990: 21) this means that the firm understands its current and key potential competitor's short-term strengths and weaknesses as well as their long-term capabilities and strategies. International competitor proactiveness implies that a firm considers the core competencies and weaknesses of its competitors in foreign market with the intension of developing opportunities. This can take place in both proactive and reactive manner. (Narver, Slater & MacLachlan 2004; Hallbäck & Gabrielsson 2013.) A

competitor-oriented firm looks for competitive advantage in terms of quality or specific functionalities in order to position its products well compared to its competitors. Customer and competitor orientations are closely linked to the third market orientation dimension, the *inter-functional coordination*. A strong inter-functional coordination implies that a firm utilizes all of its resources to create superior value for target customers. Thus, all individuals in any function in the company should be seen as potentially contributing to this value creation. Creation of inter-functional dependency, so that each area of the company sees it beneficial to communicate more with other areas of the company, can help to overcome isolation between the different functional areas of the firm. (Narver & Slater 1990: 22.)

Ozkaya et al. (2015: 309) point out that “Knowing what the customers want and what competitors are doing is very important but transforming this information into innovation-relevant knowledge may require a different set of competencies.” A mere focus on market orientation and the collection of market information does not guarantee successful innovations. Therefore market knowledge competence has been suggested as a mediator in transforming the knowledge into useful innovative behaviour (Ozkaya et al. 2015.) Market knowledge competence is formed on the processes that generate and integrate market knowledge of customers and competitors (Li & Calantone 1998: 13). It has also been described as an organizational competence, which leads to market knowledge and market-based innovation (Augusto & Coelho 2009), and is held as a strategic asset of any company (Ozkaya et al. 2015.)

Following the division of market orientation, some studies have divided also market knowledge competence into three components: customer knowledge competence, competitor knowledge competence, and the internal organizational structure (Li & Calantone 1998; Atuahene-Gima & Wei 2011). Customer knowledge competence enables a firm to explore innovation opportunities and reduces the potential risk of mistaking buyer needs. This involves constant analysis and reinterpretation of the foreign environment, while the entrepreneur and the firm interact with the target market (Li & Calantone 1998: 16.) Close customer contact has been found to positively influence the development of this competence (Hills et al. 2008: 108). Similarly, developing competitor knowledge competence enhances innovation because it provides

a diagnostic framework in which a firm can position itself in relation to its competitors (Li & Calantone 1998: 17). Hills et al (2008: 108) note that such an intuitive and rich understanding of markets derived from daily customer contact deserves more attention in marketing theory building.

In sum, international market orientation can be understood as leading to market information by *acquiring* information (know what) whereas international market knowledge competence can be understood as creating market-based innovation by *processing* customer and competitor information (know-how). They thus form a chain from information to know-how. Seen in this way, orientation reflects what the firm wants to focus on while competencies reflect what the firm can do and how it can turn the information into innovative behaviour and competitive advantage. (Narver & Slater 1990; Li & Calantone 1998.) The competence is firm specific; because of different business perception and interpretation two entrepreneurs rarely act the same even when engaged in the same business environment (Hills et al. 2008: 108). The following figure 2. depicts the relationships between orientation, competence, innovation and performance.

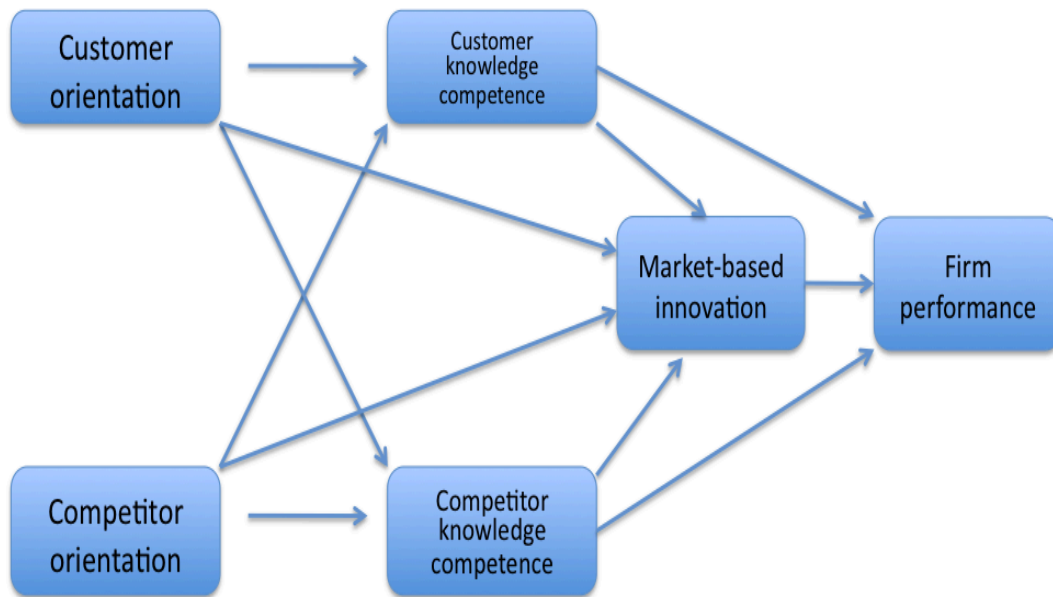


Figure 2. Relationships among orientations, knowledge competencies, market-based innovation and firm performance (adapted from Ozkaya, Droge, Hult, Calantone & Ozkaya 2015).

Most of the empirical studies on market orientation and market knowledge competence have focused on large-scale organizations and generally ignored the SME context (Keskin 2006: 397). Similarly, the model by Ozkaya et al. (2015) in figure 2. draws on data gathered of large companies. Yet the mediating role of knowledge competence between market orientation and innovation fits well also the contexts of SMEs. As has been discussed in relation to (international) entrepreneurship (2.1.) successful entrepreneurs not only focus on customer needs but employ creativity and innovation by constantly interpreting the foreign market through their personal eye-glasses (e.g. Hills et al. 2008). That is why it is useful to concentrate not only on market orientation but also on market knowledge competence when looking at how emerging market opportunities develop in SMEs. The latter operates as an instrument to look at how SMEs turn the acquired knowledge into innovation-based behaviour, which is seen specifically important for SMEs' success (Keskin 2006).

The aspects of market orientation and market knowledge competence find similarities with the concept of international entrepreneurial culture (IEC), which depicts an organizational culture that enables entrepreneurial actions of a firm in an international context. Such a culture encourages creativity and new ideas by having its focus on identifying international opportunities (Naldi, Achtenhagen & Davidsson 2015). IEC suggests that to comprehensively understand international entrepreneurship one has to study a firm's international motivation, innovativeness, risk attitude, market orientation, learning orientation, and networking orientation. The proposal has been constructed on a broad literature review on international business, international entrepreneurship, strategic management and marketing fields. (Dimitratos, Voudouris, Plakoyiannaki & Nakos 2012.) It includes aspects of alertness and the identification and search for opportunities specifically in international context. Bringing an important addition to the orientation relationships of the study of Ozkaya et al. (2005), IEC puts emphasis on dynamic capabilities that are rooted in the firm culture and enable a firm to tap into international opportunities. The emphasis on firm's dynamic capabilities is important when the firm confronts complex foreign environments and needs to be able to not only sense opportunities but also transform the firm accordingly when the dynamic market environment evolves. As has been discussed such is the case especially in emerging marketplace. For such growth seeking, firms need to be able to bear high risk. Interestingly, a study on INVs' entrepreneurial dynamic capabilities (international motivation, innovation propensity, risk attitude, market orientation, proactiveness) found that they bear a positive effect on the firm only in the early phases of growth. Findings suggest that some of entrepreneurial capabilities should thus be encouraged in the early phases but controlled when the firms mature. (Gabrielsson, Gabrielsson & Dimitratos 2014: 449, 467)

Also learning rises to a central role. Learning-oriented SMEs can capitalize on their market orientation and reject limiting beliefs and assumptions about new or existing markets. By being open and active towards learning, firms can move from adaptive learning to a higher-order learning that can lead to more radical innovations and exploration of new markets. A firm's ability to challenge old assumptions about market and the ability to organize itself to address such challenges are thus central for SMEs'

success. (Keskin 2006: 399.) International learning-oriented firms are able to obtain intelligence of foreign markets actively and apply it effectively for their advantage. It has been suggested that international entrepreneurial firms are able to exploit opportunities rapidly because they do not face learning barriers in the foreign market. (Autio et al. 2000.) The development from market orientation towards market knowledge competence highlights that getting hold of market or customer-specific information is not enough as such to advance the opportunity formation of a firm but needs to be complemented with active learning, processing of the information with firm-specific competencies and knowledge-sharing cooperation with relevant network members. Specifically in SMEs networks open new windows for thinking what the company can do with the help and knowledge base of its networks. Alliances thus operate as a valuable addition to the company's set of dynamic competencies. (Ozkaya et al. 2015.)

2.3.2. Distinctiveness of emerging markets for SMEs

Emerging markets offer long-term growth opportunity that no longer exists in saturated and highly competitive developed markets. Companies can expect long term growth from emerging markets, where markets are less competitive, disposable incomes are on the rise and consumers and workforce are young. (Sakarya, Eckman & Hyllegard 2007: 211.) Entrepreneurs aiming for emerging markets also faces a wide range of challenging issues such as poor physical and information infrastructure, underdeveloped financial sector development, bureaucratic governance, unclear property rights, high transaction costs, scarcity of market intermediaries as well as mismatch of skills and competencies (Acs & Virgill 2010: 486; Reficco & Marquez 2012: 520).

SMEs that are new to the market need to find ways to collect information and build accurate knowledge of the business environment, customers and competitors. This can be especially difficult in developing markets where information is often hard to access and the markets are also physically far. Networks can help to fill the knowledge gap and

are particularly important when aiming for emerging markets. Not only do they connect firms to information on suppliers, markets, and production techniques but they also provide the necessary personal ties and insider information necessary to decrease the “outsidership” and understand market needs. Although building inclusive networks is time-consuming, they create unique synergies and build trust among the members in the network. They provide predictability that stabilizes the otherwise turbulent market environment by creating agreed upon norms, roles and conventions. (Reficco & Marquez 2012: 522.) Especially in the so-called Bottom of the Pyramid –markets (approximately 4 billion people that live under the poverty line), high transaction costs and opaque information flows force companies to seek inclusive networks. Highly personalized ties are sometimes claimed to be the only way to assess partner’s trustworthiness. (Reficco & Marquez 2012: 523.) In addition to decreasing information failures, business networks and industrial clusters have also been found helpful in overcoming some of the challenges caused by the smallness of SMEs such as transaction costs and economies of scale (Acs & Virgill 2010: 502).

Gruber-Muecke and Hofer (2015) argue that specifically in the emerging market context, market orientation and entrepreneurial behavior positively influence firms’ internationalization process. They define market orientation as the extent to which firms see the satisfaction of customer needs and wants as a key determinant for their operations. Entrepreneurial behavior is understood as the extent to which firms see identification and exploitation of untapped opportunities as their core organizing principle. The study concludes that in order to manage with market conditions of emerging markets firms should develop their competence both in market orientation and entrepreneurial orientation. (Gruber-Muecke & Hofer 2015: 561.) Such results add to the understanding that market knowledge competence (chapter 2.3.1.) should be among the key influencing components of SMEs’ opportunity formation process if SMEs are to successfully cope with the market conditions of emerging markets. Similarly it is easy to see resemblances between such findings on entrepreneurial orientation and the concept of entrepreneurial alertness as defined in the model by Ardichvili et al. (2003).

2.4. Preliminary theoretical framework

This chapter presents the preliminary theoretical framework (figure 3.) that connects the main theoretical findings of the study. The starting point for the framework is the model by Ardichvili et al. (2003) (figure 1), from which this framework utilizes the concept of entrepreneurial alertness and the core process of opportunity development. These findings are complemented with the theories of market orientation, foreign market knowledge that stresses networks and market knowledge competence. These are seen as important additions to the theory considering the empirical context of SMEs and emerging markets. As pointed out in the literature review, there is an apparent need for more research on the links between international entrepreneurship and forming opportunities. This framework concentrates only on those influencing factors of the opportunity formation that have been specifically linked to international entrepreneurship of SMEs. Butler et al. (2010: 132) argue that in terms of noticing opportunities research is specifically needed in the areas of entrepreneurs' existing networks, experience, and international knowledge. These are also seen as the critical factors for the theoretical framework of this thesis.

The framework starts with market orientation. As discussed in 2.3.1. market orientation underlines the need for companies to stay market-driven and seek a firm culture that embraces superior customer value and also a long-term understanding of competitors. It is about sensing the external environment and valuing each employee's ideas and market-driven attitude. The theoretical framework assumes that entrepreneur's and the firm's exposure to international setting influences market orientation and vice versa. Market orientation boosts the entrepreneur's and the firm's willingness and likelihood to acquire new international experience and foreign market knowledge. The information received through market-oriented behaviour develops the entrepreneur's attitude and understanding of international operations and of specific markets. Vice versa, also foreign market knowledge can influence market orientation by sparking an interest towards specific information and thus enhancing willingness to learn more about

customers and competitors. This feedback loop is pictured in the framework by a two-sided arrow.

The influencing factors in the framework are *international exposure* (interest and experience) and *foreign market knowledge* gained primarily from networks. Based on the literature review these seem to be among the most influential factors of opportunity formation in international setting. First of all, *individual international posture* argues that entrepreneur's earlier exposure to international setting develops the mindset so that she or he is more willing and confident to approach new market with the challenges and uncertainties related to emerging market entry. It has also been connected to the capability to develop cognitive schemas that fit connect new market information with the previous international experience and help to read the specific market. Personality traits (such as optimism and creativity) per se are however left aside of this research scope, as they would require a more cognitive and cross-disciplinary research approach. Creativity is however considered as a built-in concept in the opportunity development process as it affects every stage. *International exposure* refers to the firm level attitude and general experience of internationalization in its history. The second box of influential factors, *foreign market knowledge*, represents network-embedded knowledge acquisition SMEs and their entrepreneurs gain from all their encounters and relations when starting to develop the opportunity to a specific new market. The emphasis on networks as a channel for knowledge accumulation has been found applicable for international settings in general and for emerging market entries in particular and is thus decided as a suitable concept for the preliminary theoretical framework. As discussed in the previous chapters, also the fact that this study concentrates on SMEs validates the use of network-embedded knowledge as a construct of the theoretical model. The foreign market knowledge division in the box is based on the experiential knowledge, which is a multidimensional construct of different knowledge types (institutional, business network, social network) presented in chapter 2.3. It follows Hilmersson's (2014) division of different knowledge types in internationalization, apart from internationalization knowledge, which is already included in the *international exposure*. *Institutional knowledge* is related to the host market's institutions. *Business network knowledge* leads to a higher degree of insidership in the foreign business network. With

an extensive amount of both institutional and business network knowledge a firm is unlikely to suffer from liability of foreignness or network outsidership. The third knowledge type is the *social network knowledge*, which refers to personal contacts that help in accessing the market. It has been found to explain the international behavior and success of SMEs specifically in emerging markets. (Sandberg 2013: 111; Hilmersson 2014.)

The *international exposure* and the *foreign market knowledge* develop the SMEs' *entrepreneurial alertness* and *market knowledge competence*. As explained in 2.1.2., alertness is hereby understood as sensitivity and awareness to market opportunities and it develops centrally through prior knowledge and networks. These are represented in the framework by the boxes of international exposure and foreign market knowledge. Similarly these influencing factors strengthen market knowledge competence. This competence is based on an in-depth understanding of how the company can serve its customers and overcome its competitors with the specific resources and capabilities it has available. Such a competence is thus a combination of external and internal skill set. For example Gabrielsson & Gabrielsson (2013: 1371) found that although network capability is important, especially in the introduction phase of INVs' internationalization, it needs to be complemented with capabilities and resources related to technology, customer understanding and marketing. Entrepreneurial alertness and market knowledge competence have a direct influence on the *core process of opportunity development*. The opportunity takes form through perception, discovery and creation. Depending on the firm and the type of the opportunity, the emphasis on either of these three may vary. Each path to an opportunity is unique. The opportunity develops further as knowledge increases and as evaluations of the nature and feasibility of the opportunity become more precise.

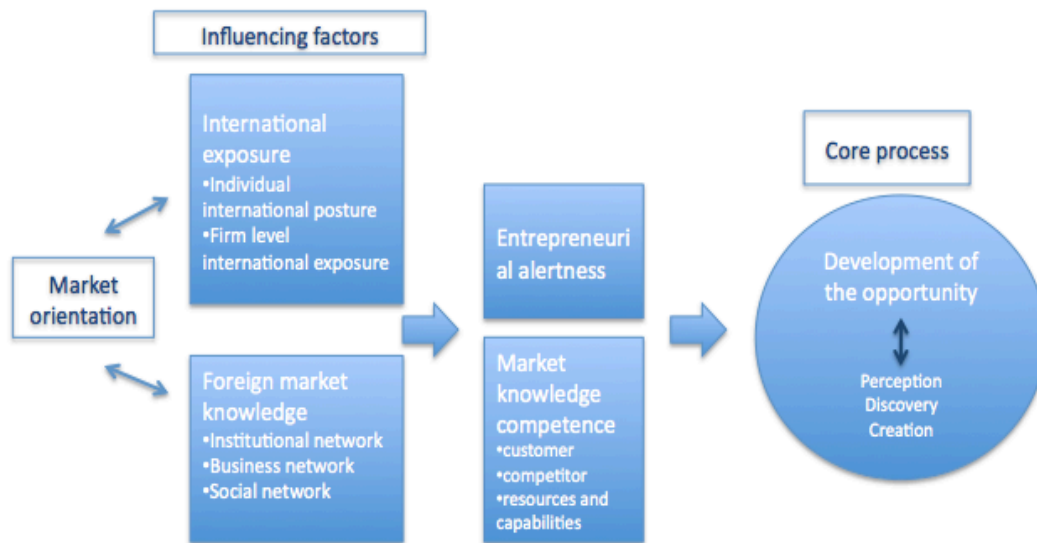


Figure 3. Preliminary theoretical framework for market opportunity development

3. METHODOLOGY

This chapter explains the research methodology that directs the empirical part. The chapter starts with a philosophical layout for the research and then moves on to discuss the research approach and research design. Finally, the data collection and analysis methods are explained and the validity and reliability of the empirical research is discussed.

3.1. Research philosophy

“How research is, and should be, done is a function not only of the research topic but also of the values and beliefs of the people doing the research” (Easton 1995: 411-412). Research philosophy is concerned with how the researcher views the research. A variety of approaches exist and there are no distinct lines between them.

For the purpose of this study, critical realism is found to be the most suitable philosophy. According to critical realism, there is a reality that can be discovered and understood, however knowledge of that reality is uncertain and must be critically evaluated in order to develop theory (Easton 1995). Critical realism thus implies that the external world has a structure of its own, independent of our perception of it, and this structure is not necessarily apparent to observe. It is thus the task of social sciences to discover such structures by looking behind the surface appearance. In this way a researcher can discover meaningful connections and understand the social world. (Söderqvist 2011: 50.) Implied to this research, the knowledge acquired from the interviews is solely based on perceptions and pre-understanding of the researcher and the interviewees. In line with critical realism, what is being said and what the researcher can observe and analyze must be kept separate from “all that can be known”. Knowledge is thus critical and has to be evaluated with this limitation in mind when conducting the analysis. Yet, this research contributes to existing theories and can discover their deeper connections by studying individuals’ perceptions.

3.2. Research approach

Research approach defines the connection between the literature review and the empirical study. A researcher can choose to follow inductive or deductive research approach or their combination, abduction. Inductive research formulates a theory on the basis of the empirical study and analysis, whereas deductive approach tests an existing theory in the empirical setting with specific hypothesis. In abduction researcher goes back and forth between theory and empirical phenomena and knowledge development is a continuous process where the researcher looks into theories, complements it with data collection and where relevant changes the theory. The different parts of the research thus evolve simultaneously. Thus, understanding of both theory and empirical phenomena expand. (Dubois & Gadde 2002: 554; Söderqvist 2011, 54.)

This study employs the abductive research approach, in which the researcher aims not to verify or falsify existing theory (deduction) nor generate a new theory (induction). Rather the aim is to further develop a theory by constituting a more suitable theoretical framework for the studied phenomenon. Data is not forced to fit a theoretical framework and theoretical framework is not created only on the basis of the empirical evidence. (Dubois & Gadde 2002: 554.) As discussed in chapter 2, theories on opportunity formation do exist, but they concern rather different aspects of the phenomenon separately and have not been considered in the international market context. Therefore, they cannot be applied and tested in this study as such. The connections seen in the theoretical framework (figure 3) are a combination of theories and the framework is applied in the multiple-case study and through that further developed. Hence, theoretical reading and empirical research occur in parallel, as is typical for abductive approach. During the interviews it may become clear that some aspects of the theoretical framework are truer than others and new aspects may arise. Contributions are made both theoretically, by extending and combining the concepts,

and empirically, by adding to the less researched area of SMEs' opportunity formation in emerging markets.

3.3. Research design

Research design concerns decisions related to the data collection methodology. It is the framework for data collection and it analyses and reveals the type of the research. This study is based on *qualitative* research methodology over *quantitative* methodology. The former emphasizes understanding of a specific phenomenon in natural settings, whereas the latter is more concerned with verification and testing of hypotheses under controlled measurements. (Ghauri & Grønhaug 2010: 104-106.) Qualitative methods are here used in order to develop deeper understanding of opportunity identification and development into knowledge competence. Also taking into account the research question being formed as "*How do Finnish SMEs recognize and develop business opportunities when internationalizing to emerging markets?*" it is reasonable state that qualitative approach gives a deeper understanding of the phenomenon.

The decision on the appropriate design should be based on the nature of the research problem and can be further distinguished to *exploratory*, *descriptive* and *causal*. In exploratory study the researcher explains an unknown phenomenon by for example, observing, gathering information and constructing explanation (Ghauri & Grønhaug 2010: 54.) This study is exploratory because of the nature of the research problem aiming to explain how opportunities and market knowledge develop and direct entrepreneurs' decision-making.

Furthermore, this research is based on the case study approach, which is often connected to exploratory and descriptive research design. It is able to contribute to "unique means of developing theory by utilizing in-depth insights of empirical phenomena and their contexts." (Dubois & Gadde 2002: 555). Studying multiple cases further increases the external validity of the empirical results (Yin 2003: 53-54). It is not

the direct aim however to compare the cases with each other but rather to compare the finding to the theoretical proposition and thus produce more in-depth and holistic understanding. All the case companies are therefore asked the same questions but the study does not aim for direct replication.

3.4. Data collection and analysis

Data collection involves semi-structured interviews in eight SMEs that are in the early stages of internationalizing to emerging markets. All the case companies originate from Finland, which is considered as a typical small and open economy (SMOPEC) with its about 5 million population and very few restrictions on trade. To select the case companies the author made use of the articles of Finnpartnership, a Finnish publicly funded organization that invests in and consults Finnish SMEs aiming for developing markets. Based on success stories of Finnish SMEs on the website of Finnpartnership it was easy to contact prospective companies for interview. Some of the companies were found through other online articles published on Kauppalehti or Taloussanomat. The case companies were selected following the criteria that 1) they were based in Finland 2) they were to have entered a specific developing or emerging market for the first time. Initially the idea was to interview only companies that have passed the initial business concept -testing phase and moved on to an established position in the target market. However, finding such companies for the interview proved challenging since it became clear that the opportunity development process had in some case companies taken as long as five years and was not as straight forward as thought. Therefore the case companies chosen represent different stages of the opportunity formation process; some planning to enter the new market within a year when the best partners have been identified and others having established a steady position in the market within the past few years and now expanding their operations. This variation made it possible for the interviewer to form a holistic understanding of how the companies process information and develop networks and knowledge throughout the opportunity process. When gathering the data the researcher applied triangulation by using multiple information sources about the companies including the primary data of semi-structured interviews

accompanied with company websites, company presentations, financial information and news releases. This allowed a deeper understanding of the case companies and their internationalization process.

The interviews were semi-structured with thematic questions regarding market orientation, influencing factors, entrepreneurial alertness, market knowledge competence and the core process of how the opportunity has taken form in each company. In some interviews also topics that were not initially planned to be included were discussed as the interviewees brought them up and the information was relevant for the opportunity development. In addition after the first two interviews the interview questions were modified in order to better suit the theory and be more understandable to the informants. The interviewees were initially chosen with the criteria of being entrepreneurs/owners in the company. During the process of contacting potential case companies it however became clear that in some cases the responsibility of new market development had been geographically divided between a few managers or there was a director responsible for new market development who was more aware of the recent development than the entrepreneur/owner would have been. Therefore the interviewees were in the end chosen based on their involvement and experience in the opportunity development. The duration of the interviews varied between 1h-1h20min and each was recorded with a tape recorder. Four of the interviews were conducted in person and four over Skype. Each interview was transcribed totaling up to 60 pages in text. The data was then analyzed by thematic coding. The first step was to read through the interviews and search for recurrent themes. The aim was not to verify the preliminary theoretical framework but to focus broadly on whatever themes arose from the interviews. Logically as the interview questions were based on the preliminary theoretical framework the interview answers followed loosely the same logic and sequence. The interview questions were slightly modified on the basis of the first interviews thus enabling the theoretical framework to evolve and develop during the data collection. The interviews thus offered direct feedback for the preliminary framework and theory that directed them. Some of the concepts were difficult for the interviewees to discuss separately. For example some informants found it somewhat challenging to discuss how entrepreneurial alertness appears in practice. In each interview the researcher thus also

opened up some concepts more and modified the questions so that they would provide more background information of the theoretical concepts. In this regard it became also clear that already during the interviews the researcher should “read between the lines” and connect first seemingly unrelated answers with the theoretical knowledge base she has developed. After reading through the transcribed interviews several times and searching for themes, the next step was to find connections between the themes. This involved also considering their order and merging in the analysis chapter.

3.5. Validity and reliability

Validity and reliability are important topics to discuss when evaluating the quality of any research. Validity refers to the use of scientific methods to produce valid data and is thus concerned with whether the research findings describe accurately what happened in reality. Reliability refers to the degree of consistency in the study. It is concerned with whether the study could be repeated with the same or similar research findings. (Saunders, Lewis & Thorhill 2009: 149.)

In this thesis the validity can be threatened when thinking whether the results can be generalized beyond the studied cases. As the research was conducted with a limited number of cases, its conclusions may not be generalized to the wider population of SMEs. The cases selected for the study represent several industries but share the similarity of having previous experience from international markets. Although they were in different phases of the opportunity realization, they all had developed the opportunity under focus for a relatively long period and had, for example, already established networks in the target country. It was thus possible to follow the interview guide and discuss about the foreign market knowledge development and network expansion with all of the case companies even though they were in different phases of their market entry. Moreover, all case companies originated from Finland, a typical small and open economy, and so the results may be generalized to some extent beyond this multiple case study, when comparing to similar country of origin. One drawback is that the interviews were conducted in Finnish yet the interview citations used in the

analysis had to be translated back into English. Translation always includes the risk of losing or misinterpreting data. Yin (2003: 37) discusses the case study protocol, which helps to ensure the reliability of data. Having case databases for each interview increases the reliability. It allows the researcher to go back to the original translations and check specific citations when needed. In terms of the interviews, validity of the outcome is strengthened by showing the interview guide as an appendix (see Appendix 1). In addition a careful explanation of how the data was collected and analyzed and the use of authentic citations from the raw data (interviews) increases the validity. (Yin 2003: 37.)

Reliability of the study is increased by minimizing biases and errors in the study. Observer error refers to the errors that occur when the interviews do not follow a schedule and the interviewer conducts interviews in different ways. (Saunders et al. 2009: 149) The interviews for this study followed a planned schedule. Yet the reliability may be hindered by the fact that the interview guide was further developed after the first interviews. After the first two interviews were conducted, the interviewer refined the questions to better initiate discussion on market orientation. Yet, although not explicitly stated in the first two interviews, the views on market orientation could be seen and analyzed in the transcriptions of all case firms. Reliability of interviews may also be threatened by participant bias. This can happen when the participants feel insecure and respond as they assume the researcher wants them to answer. (Saunders et al. 2009: 149) All of the interviews were conducted in a quiet environment and the discussions started with a careful explanation of the study, its purpose, and secrecy matters in terms of the transcription. All of the companies were also asked before the recording whether the interview may be recorded and whether the company name can be mentioned in the study. The interviewer also encouraged the respondents to talk about also possible drawbacks they had faced along the opportunity development. Consequently, the interviewer and the interviewees seemed to share the opinion that making mistakes is an important part of the process of successful opportunity development and should not be left unelaborated. These factors together created a trustworthy atmosphere to discuss openly.

4. EMPIRICAL FINDINGS

The focus of this chapter is to describe and analyze the interview results. The first sub-chapter (4.1.) shortly presents the eight case companies. The following sub-chapters (4.2.-4.5.) have been formed based on the theoretical framework with the exception of discussing market orientation together with market knowledge competence as during the interviews it became clear that in practice they are very much interlinked. The findings are illustrated with quotes from the interviews.

4.1. Presentation of the case firms

Watrec Ltd specializes in biowaste, wastewater, and process water treatment and consultancy. According to statistics from 2015 the company's annual revenue was 8 million euros and they had 22 employees (Taloussanomat 2016a). The core of the business is delivering large-scale biogas plants. Watrec was established in 2003 and the first cleantech project was finalized in 2005 in Finland. In 2012 SITRA (Finnish Technology Fund) invested in the company and since then Watrec has been actively mapping international market prospects. At the moment they are looking for opportunities especially in East Asia and Mexico. The company has also received funding from Finnpartnership to conduct market research in these areas. The market opportunity to Mexico started to develop approximately four years ago when Watrec was contacted by a Finnish-Mexican couple who promotes Finnish technology to Mexico. Watrec is negotiating a deal to deliver planning and technology for a biogas plant of food industry and agricultural waste to Mexico City. Watrec's main partner in Mexico is a local building contractor, to whom the Mexican-Finnish couple has personal contacts. Because the public sector is responsible for infrastructure development in Mexico, the administration of Mexico City is ultimately in charge of construction decisions related also to waste treatment including the project. The project

has been in pretrial review for four years and there are two other waste management companies competing for it. According to the entrepreneur and CEO of Watrec, Juhani Suvilampi, Watrec is a strong candidate to win the project. They have developed relations to the different parties in Mexico City during the past four years including Mexican authorities visiting Watrec's waste treatment plants in Finland and Suvilampi making field visits to Mexico. The competitive bidding is organized in summer 2016 and the project should start late 2016.

NaturVention Ltd was established in 2011 when two university friends, Aki Soudunsaari and Niko Järvinen took an innovation course at the university of Jyväskylä and discussed the problems of indoor air. Soudunsaari, the founding partner and CEO, had suffered from severe indoor air symptoms in his work as a teacher. After the course Soudunsaari and Järvinen gathered a multidisciplinary team of researchers and business partners and developed the technology behind NaturVention, NaavaOS that purifies air by combining technology with plant roots that purify air in a more efficient way than traditional air filters. The company is a born global and had the mission to internationalize right from the beginning. It is targeting especially the world's largest cities, where most of the air pollution problems exist. In January 2016 NaturVention opened an office in Stockholm and is planning to grow to the United States in the near future. The case interview concerned NaturVention's expansion plans to China, where the company aims to start operations in 2017. The current opportunity development includes field visits and partner negotiations with Chinese contacts. According to Soudunsaari, the company's strategy to China is to find a trusted large-scale partner who would allow NaturVention to conquer the Chinese market in an embedded position, with high speed and intensity. In 2015 the company's annual turnover was 1 million euros and they employed 32 persons (Taloussanomat 2016b).

Nocart Ltd is an energy company that delivers on-grid and off-grid power units in solar power, bio energy and hybrid. Nocart's annual turnover in 2015 was about 3,9 million euros (Taloussanomat 2016c). Its CEO and entrepreneur, Vesa Korhonen, has a career background working for ABB and Schneider Electric Finland and has thus worked with power plant manufacturers for long. Nocart was established in 2010. The first 30 kW

off-grid Power Management Unit was delivered to a Finnish bioenergy research and development centre in 2011. The first international project took place in Nepal in 2010 after which Nocart has focused on expanding its operations primarily in East Asia and Africa. The case interview concentrated on Nocart's opportunity development to Kenya. The opportunity to Kenya started out in 2013 when one of Nocart's Finnish contacts participated in an energy summit in Nairobi and introduced Nocart's service offering in the summit. However, the visit did not lead to a direct deal with any local operator. Soon after Nocart was contacted by a Kenyan residing in Finland who was able to close the first deal with another Kenyan of the same tribe origin. At the moment the company operates actively in Kenya, Malawi, Nigeria, Ghana and Algeria. In addition it has ongoing negotiations in several other African countries. Korhonen says the firm has identified 470 million euros potential for its projects in five African countries so far and aims to get hold of it within the coming five years.

Wise Consulting Finland Ltd offers management consultancy for internationalization into Southeast Asia. Its entrepreneur and CEO, Pasi Toiva, is a serial entrepreneur who has established 13 firms in total and is at the moment actively involved in leading 5 of them. The thesis interview dealt with the penetration into Vietnamese markets, where Toiva first penetrated with Labwise and its digital TV device testing services in 2004 and then established Wise Consulting Finland in 2006. Under Wise Consulting Toiva now operates in Vietnam by delivering health care technology, mainly to rehabilitation centers. Also Labwise is still active in Vietnam and Toiva expects the digital tv sector to take great leaps in the near future. To date Wise Consulting has delivered healthcare devices to 20 hospitals in Vietnam. Toiva is also actively looking into the market prospects of Vietnamese distributed energy and education sector. In 2015 the annual turnover of Wise Consulting was 163 000 euros and it has currently about 10 employees in Vietnam (Taloussanomat 2016d). The turnover of Labwise in 2015 was 645 000 euros and it employed 6 persons (Taloussanomat 2016e). Although the interview mostly on Wise Consulting, it dealt with the market opportunity development into Vietnam at large.

Company X delivers deep collection systems for solid waste. The family-owned business has about 50 employees and its turnover in 2015 was 18,2 million euros. It was established in the 1990s and looked for international market opportunities soon after as the then CEO and owner traveled extensively around the world to understand the market potential for the waste management products he had developed. Currently it operates in about 40 countries, mostly in emerging markets. The interview was conducted with the company's CEO and dealt with the company's penetration into Namibia, which the CEO holds as a valuable learning experience of growing into other African markets. Before Namibia the firm had already delivered deep collection systems to South Africa. Although the CEO is not an entrepreneur himself, he has 20 years experience of entrepreneurship before joining the company X. The opportunity in Namibia was sparked when the municipality federation of Namibia conducted research on the country's waste management situation in 2007-2009. A Finnish honorary consul was involved in the research and knew the services and products of company X. The Namibian government and municipalities as well as Namibian and Finnish universities started a collaboration into which company X was tied up. The firm started manufacturing in Namibia in 2011 but remodeled the product in 2013, after which the market penetration has been rapid.

Company Y offers network information management tools mainly for telecom, energy and water applications. The firm digitalizes existing network information into an updated information management system and offers also consultation services. Its customers include for example telecom operators, water utilities and municipalities. The interview was conducted with the firm's CEO who has previously worked in large multinational corporations. Company Y was established 20 years ago and internationalized three years ago. The current CEO, who saw the international potential of the products, largely influenced the start of the internationalization. At the time he joined the firm it served solely Finnish customers. The interview concentrated on the firm's market opportunity development into the Philippines. The firm looked for partners in the Southeast Asia at large and then focused on the Philippines when a suitable partner was found. An expatriate of the company Y and a local partner company in the Philippines are currently negotiating deals with local water utilities

around the country. To date company Y has one telecom and one water utility customer in the country. According to the CEO, penetration to the Philippines has not yielded expected results to date because of the partner's low efficiency and motivation to commit. During 2016 the firm will decide whether to stay in the Philippines or invest solely in other prospective markets. The firm's turnover in 2015 was 5,4 million euros and it has about 85 employees.

Ekolet Ltd is a family-run business that manufactures dry composting toilets. The firm was established by Matti Ylösjoki and started out as a hobby along his day job. The first patented product was developed for the Finnish markets. Since the establishment there has been also orders from abroad, mostly by individuals. Active internationalization started about three years ago. The firm had received enquiries from developing countries from time to time and as a response Matti Ylösjoki started to develop an inexpensive model directed specifically for such conditions. The interview was conducted with the current CEO of Ekolet, Kalle Ylösjoki, who is the son of Matti Ylösjoki and responsible for the development of international operations. The discussion concentrated on the company's internationalization to Kenya, which started about 2,5 years ago. Initially a Kenyan living in Finland found Ekolet's website and contacted them in order to find them suitable partners in Kenya. However, the market opportunity started to unfold later when Ekolet participated in a Team Finland – business delegation visit to Kenya. Ylösjoki met a Kenyan NGO, Kenya Forest Service, which was interested in piloting their products. They currently have contract manufacturers in Kenya and are searching for a few large partners, such as international NGOs, that work with the locals and could operate as a channel for their product delivery in larger batches. They are also actively developing partnerships in Tanzania, where they negotiate a delivery of composting toilets for a safari lodging area. Ekolet currently has prototypes in both countries and is aiming to start full operation in 2017. Its turnover in 2015 was 191 000 euros and the company is run solely by the Ylösjoki family (Taloussanommat 2016f).

Tapp Commerce Ltd was established in 2013 when four of its owners had the idea of bringing e-commerce to people who do not own a bank account or a credit card. The

owners' background was in IT and banking and during their previous business experience in the developed economies they developed the idea that the emerging economies need an operations model that can offer their consumers the same e-commerce experience as those in the developed countries. Tapp Commerce brings buyers and sellers together with a mobile marketplace app, which allows people to pay for goods and services via mobile. They partner with local agents who then offer the service for local consumers. The annual turnover of Tapp Commerce in 2015 was 31 000 euros and it employed 12 persons (Taloussanomat 2016g). Due to its product being directed solely for emerging economies, the firm started to internationalize right from the beginning. In 2015 it entered Indonesia, in 2016 the Philippines and is now actively looking to expand its operations to Thailand in 2016/2017. It is essential for Tapp Commerce's internationalization strategy to continue establishing operations in a number of East Asian countries with a rapid pace. The interview concentrated on the market opportunity development into the Philippines, where the firm performed a market research in 2015 and established a subsidiary early 2016. The market entry to the Philippines was not as straightforward as the entry to Indonesia, where the firm already had some contacts and financing was arranged from the beginning. The entry to the Philippines offered thus a more interesting case example of how Tapp Commerce developed the opportunity from scratch. The informant for the interview was Tomi Helkearo, who is the director for business and market expansion at Tapp Commerce. His proactiveness profoundly influenced Tapp Commerce's internationalization to the Philippines soon after the firm had entered Indonesia. During his former career in mobile commerce business, Helkearo has created and launched mobile service sales in India and China.

4.2. Influencing factors

This subchapter presents empirical findings on the main influencing factors of the SMEs for their opportunity development. It follows the thematic areas of the theoretical framework. The first influencing factor, *international exposure*, discusses both the

individual and the firm-level experience and its influence on the opportunity process. The second influencing factor, *foreign market knowledge*, discusses the acquisition of foreign market knowledge and more specifically the influence of network-embedded knowledge for the opportunity formation. After presenting the results of international exposure and foreign market knowledge, the discussion will move on to the third influencing factor, *entrepreneurial alertness*.

4.2.1 International exposure

As the preliminary theoretical framework (Figure 3) depicts *international exposure* consists of *individual international posture* that refers to the entrepreneur's foreign market experience and *firm level international exposure* that refers to the SME's international experience and its influence on the opportunity development. As discussed in the literature review, earlier research has shown that previous experience from being exposed to international settings makes it more likely for an entrepreneur and an SME to engage in international expansion (e.g. Acedo & Florin 2006; Johanson & Vahlne 2006). International experience increases courage and confidence to engage in new markets and helps in new information processing. This is specifically important when discussing the emerging market context, where the dynamism and uncertainty of the market is stronger than that of developed markets.

In most of the case SMEs the plan was to start operations in Finland and the neighboring Scandinavian countries and then expand operations to emerging markets as the experience accumulates. For some this tactic had worked whereas some had suddenly realized the overwhelming potential in emerging markets, changed plans, and skipped the internationalization phase in European markets. It seems the firms had understood from the outset that the large gains for their offering are made outside the developed markets. Yet, they had not realized how immense the potential in fact was until being exposed to it, often through unexpected networks. However, the entrepreneurs' initial knowledge of international markets had accumulated already when

working for previous employers. Many of the entrepreneurs/international market managers had worked in large multinationals before making the decision to start their own business. Many informants saw that their earlier experience of new market access and internationalization strategies in multinationals was essential for the establishment and internationalization of their SMEs.

“The fact I’ve been going around the world previously is almost a prerequisite for us succeeding in this business. If you’ve never been further than the Kuopio market square and you should suddenly go to Africa to sell renewable energy solutions..you just won’t succeed. I’ve had the opportunity to practice under the wings of a multinational corporation.”(Vesa Korhonen, Nocart)

Often the former international experience of the informants was gained from other markets than where the SMEs first penetrated. Any kind of previous international exposure seemed to be as important as experience from the target market would have been. It helped to develop an open-mind towards international opportunities in general and smoothed prejudices related to international markets and international business partners. Knowledge accumulation from former international exposure seemed to also decrease the feeling of risk. The informants were more confident to approach new markets and felt they were quite well aware of the risks partly due to their international mindset developed in previous jobs. This is in line with the earlier findings (chapter 2.3.) on how experiential knowledge makes firms perceive international opportunities in a more realistic light. Such was the case for example in Tomi Helkearo’s comment. He considered the previous experience from Indian markets as a valuable asset when Tapp Commerce entered the Philippines, despite of the different cultural context between India and the Philippines. Also the fact that the previous knowledge was often from another *emerging* market seemed to help in transforming experience into useful knowledge among the informants.

“I worked in Nokia’s retail for three years in India and learned how to access the market and how differently it works than the Finnish market. For these people business really brings the daily bread. And the logistics operate so differently when there’s no

electricity, central warehouse or chain orders. The dynamic is very different and our key users feel a lot closer to me with the experience I have previously gained.” (Tapp Commerce, Tomi Helkearo)

Both the informant's as well as the SMEs' previous foreign market experience seemed to lead to a more active search for new market opportunities. It made them more courageous and optimistic towards international opportunities. At the same time, former international experience also enabled a passive search for international opportunities. In some cases it was through previous international contacts that the entrepreneurs/foreign market managers received the first information of new business opportunities and decided to look into the possible opportunity more closely. Prior experience influenced the opportunity development both passively and actively by equipping the informants with valuable contacts and the right mindset (both attitude and cognition) to recognize certain opportunities in the market. Both individual and firm level exposure to international environment carried this same effect. The informants often referred to their team's experience and attitude rather than solely their personal international experience. It is therefore somewhat challenging to separate how much weight they gave for individual versus team level international orientation. It was however clear that they highly valued their team's capacity and attitude in the opportunity development and *firm level international exposure* was thus seen very important.

Former experience seemed to also increase the level of creativity. This supports the findings of previous studies of the influence of international orientation in creativeness. It was present for example in the product development of the SMEs and their ability to modify their product and service offering to better respond the local needs. For instance in two cases the founders of the firms had traveled extensively in developing countries before establishing the firm and had gained understanding of both the possible demand for their initial idea of a product and the modifications the product needed still to go through in order to attract local demand (Company X, Ekolet Oy). Former experience also helped the firms and entrepreneurs use creativity in choosing the right networks. Often this meant that the formal assistance for internationalization that was offered by Team Finland –agencies was not considered as meaningful as own experience from the

market. Rather than turning to internationalization agencies as a primary route to the opportunity development, especially firms with extensive international experience used creative ways for information acquisition. Sometimes this meant purely spending time in the market, standing on street corners and thus reading the environment. Sometimes it meant organizing job interviews for local candidates and imposing questions for them about the market competitiveness or how they saw the SME was positioned in the market. Such tactics were seen as a faster route to realistic knowledge of both the institutional environment and the specific industry than traditional market research or business delegation trips.

Table 1 International exposure

Firms	Watrec	NaturVentio n	Nocart	Wise Consulting Finland
Influencing factors				
International exposure	<ul style="list-style-type: none"> ◦International opportunity seeking since 2006 when Sitra invested in it. ◦Opportunity development to Greece since 2006 but has not been realized due to the country's economic situation. ◦Market analysis conducted with Finnpartnership to Mexico and East Asia. Active opportunity seeking also in Poland. ◦The opportunity development to Mexico closest to realization. ◦Entrepreneur's international experience only from within the company. ◦Domestic opportunity development and operations in Finland since 2001 	<ul style="list-style-type: none"> ◦Operations started in Finland but internationalization has been pursued since the establishment of the firm ◦Internationalization to Sweden in early 2016 ◦Currently opportunity development to the US and China, where the firm aims to start operations in 2017 ◦Management team has previous international experience from Chinese markets 	<ul style="list-style-type: none"> ◦International markets have been the focus since the establishment ◦First international experience of the company from Nepal in 2010 after which operations have concentrated in East Asia and Africa ◦Opportunity development to Kenya started in 2013 ◦Entrepreneur has earlier international experience from having worked for multinational companies before the establishment of the firm in 2010. 	<ul style="list-style-type: none"> The firm establishment in 2006 responded to demand in Vietnamese markets ◦Entrepreneur had earlier experience of international opportunity development (mostly in Europe and the US) from positions in multinational companies since 1995. ◦Entrepreneurial experience from East Asia since the beginning of 2000.

Table 1 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
International exposure	<ul style="list-style-type: none"> ◦The firm aimed for international markets since establishment in 1991. ◦First project took place in Finland, the next ones in Belgium and Portugal. ◦The entrepreneur spent time in traveling on different continents and making an initial research on the market potential for the product he had developed ◦Market opportunity development to Namibia started in 2007 with a market research with Namibian government ◦Interviewee had no earlier experience from African markets but gained experience as a technical manager in the Namibian opportunity development before appointed as a CEO 	<ul style="list-style-type: none"> ◦Operations in domestic market for twenty years ◦Internationalization started three years ago ◦The firm has done extensive partner searches in Europe, Middle East and Asia. ◦The first feasible international opportunity opened in the Philippines ◦Operations currently also in the European markets ◦The firm will decide during 2016 whether to continue operations in the Philippines or start to invest in other more prospective markets ◦The current CEO initiated the internationalization ◦CEO has earlier international experience from positions in a large multinational company 	<ul style="list-style-type: none"> ◦First product was developed for domestic markets ◦Internationalization began three years ago ◦As a response to enquiries from emerging markets about the firm's product, the entrepreneur started to study possibilities for internationalization and develop a new model responding to the market requirements in East Asia and East Africa ◦The entrepreneur had previous experience from living and working in East Africa 	<ul style="list-style-type: none"> ◦Internationalization started from the firm establishment and products were directed to emerging markets ◦First entry to Indonesian market in 2015, Philippines 2016, plans to establish operations in Thailand 2016/2017 ◦Management team has earlier international experience from IT and banking markets ◦Interviewee, director for business and market expansion, has earlier experience from East Asian markets having worked in mobile commerce in a multinational company

4.2.2. Network-embedded market knowledge

Earlier research clearly shows relationships operate as engines for SME internationalization especially when the target area is an emerging market. The network view underlines that internationalization happens centrally in networks. The case

interviews showed that network collaboration was not only useful for market knowledge generation but also assisted the SMEs to get hold of various network-related benefits. These include learning from other SMEs' mistakes and successes, access to the primary information sources and local decision-makers, trust-building with the local suppliers and clients, decrease in the liability of foreignness, and enhancement of the firm's core competence.

Networks were in many cases crucial for the actual realization of the opportunity. Even when the idea for the business concept had come about in isolation from networks, the influence of certain relationships and networks was necessary for the opportunity to materialize. In most cases networks had influenced also the early development of the market opportunity. As Juhani Suvilampi from Watrec put it, "it's almost depressingly important for an SME to be present in numerous forums and networks". The SMEs mentioned different industry-specific forums that they had found helpful in initial knowledge acquisition such as the Finnish Water Forum and Cleantech Finland. Meeting and discussing with other Finnish SMEs who had entered the same market already was also a common way to gain knowledge of the relevant contact points and how to avoid the most common mistakes. Contacts were also found through Team Finland –institutions. Business delegation trips to the target countries played a role in meeting the first local contacts. However, it was a general opinion by many of the SMEs, that the Team Finland –agencies were helpful in finance and initial support but were unable to facilitate the networking benefits and the network-embedded learning further.

The first local contacts were in a very few cases the ones that lead to the realization of the opportunity. Through them the SMEs gained information of the local business culture and the culture in general. In some cases they also led to other contacts that were more relevant for the actual business development. Still all encounters were highly valued and the informants emphasized that every new person or network contact taught them something. Three of the SMEs mentioned also the influential role of the Finnish embassy and the connections of Finnish ambassadors or business consuls. In some countries the presence of national level representatives such as a Finnish diplomat was

obligatory in order to establish the first contacts with local business partners. For example in the case of Company X a Finnish Consul who had operated in Namibia for years connected the SME to a local partner he knew personally and thus opened an opportunity that the company X would not have otherwise thought about. Aki Soudunsaari from NaturVention mentioned that the involvement of Finnish embassy in China gave the necessary authority for NaturVention's business negotiations. For example by offering a space to discuss business with Chinese partners at the Finnish embassy, the embassy added certain legacy and trust for NaturVention's brand.

Among the main channels to find a local partner were earlier direct or indirect contacts in the country, industry-specific business fairs in Finland or abroad, partner search business trips in the country (often with a local consultant who had done the initial short listing), and cooperation with universities. The university cooperation comprised of research partnerships between Finnish and local universities. They engaged the SMEs into the initial market research or contributed to the technical development of the prototype. This was the case for example for Naturvention, whose technological innovation went through an iterative development process with the help of a research group in the University of Jyväskylä. The university assistance included also business development consulting.

Networking was seen important in general but out of the variety of ways to grow the knowledge base and develop the opportunity, *institutional* and *social contacts* were mentioned most critical. In fact, in most cases it became as a surprise for the SMEs how critical and time-consuming creating and strengthening institutional and social contacts was.

“It's fundamental to first build the personal connection and then develop the business side to that. Business is always personal, you just can't avoid it...And in Vietnam our local representative is very well integrated to the political and commercial side. I only have local employees.” (Pasi Toiva, Wise Consulting)

Network development required deep commitment and time. Social contacts were crucial especially because of the different cultural setting of the target market; business would only start off after the partners knew each others personally and a certain level of trust had been gained. It was also mentioned helpful to know a local or a Finn in the target market who had been in the country for a longer time and had a solid network to benefit from. Also the fact that Finns had a generally good reputation in a country or as business partners was brought up. Sometimes social contacts operated also as a channel to reach the institutionally relevant contacts as in the quote below.

“Of course it was important for us that the Consul we knew opened doors we could have not..all the way to the President’s Office. But it’s also quite easy to be in Namibia as a Finn since Finland has enjoyed close ties with the country for over a hundred years. There’s trust on both sides.” (Company X)

Institutional contacts were critical for two primary reasons. Firstly, some of the case companies operated in an industry that was partly or solely controlled by public entities. In some cases the public entity such as a state was partly financing the project, owned part of it, or was the direct client. For this reason cooperation with and consent of, for example, a certain ministry or municipality leader was the only way to start operating in the given country. The SMEs mentioned it was thus important to understand the structure of institutional networks and how they operated in practice. Secondly, some of the case companies mentioned that due to the different institutional context, in which politics largely intervened with business, developing relations to politically influential persons or entities was the key to ensure the entry and future operations of the firm would be smooth.

“Looking back I can conclude that the fact I use local contacts to build relationships to public decision-makers is pretty much the key to entering the market. If I just go there from time to time to show my face but don’t participate actively in the business operations it just won’t work. If I don’t have the blessing of the central government or they want to prevent my success it’s pointless to go there.” (Vesa Korhonen, Nocart)

In those emerging markets where the government or political party was actively involved in business operations, personal, business and institutional networks were inseparable. For example in Vietnam a large part of operations is still under the control of the central party, which made it crucial for Wise Consulting Finland to create personal ties with either persons working for the government directly or with persons who had personal ties with other people working for the government. All in all, personal relationships were mentioned as the first step to start developing any business operations. The informants had consistently developed both personal networks as well as company networks, in some cases for years, before the market entry realized.

Many of the SMEs had recognized from the beginning that they needed to find local partners in order to both enter and succeed in the market. In most cases this was mainly because it was through locals they received the most realistic information of the market potential and first steps. It was also mentioned that it would always be impossible to know exactly how much of the reality a local partner/subsidiary is willing to share with the Finland-bound head office. Yet, the informants seemed to value an office ran by locals more than having sent one of their Finnish employees to the target country. The entrepreneur's or market director's frequent visits to the country were also extremely important throughout the opportunity development. The visits increased trust and responded to local contacts' (cultural) expectations of a visible manager. In some cases the need for local partners was also a cultural legacy issue, as in the case of Nocart Oy, where the business operations started after their local Kenyan acquaintance discussed with his neighbor who was from the same tribe and was for that reason able to close the first deal. Vesa Korhonen saw the tribe connections so important that without them the business might not have taken off. In some cases the SMEs searched for a local partner that would enable a fast large-scale entry into the market and provide an esteemed reference for future operations. It was a prerequisite for further cooperation that such a partner would be a well-known and accepted operator in the local market. Therefore for example Ekolet and NaturVention rather waited longer than signed deals with smaller less influential candidates.

“The idea of a third party took shape along the way. We were looking for a good pilot case and there’s many possible partners but to gain benefits also from the reference point of view the partner can’t be whatever.” (Kalle Ylösjoki, Ekolet)

Interestingly the firms felt, that they could and should discuss their business models and market approach models fairly openly among different networks. There was a strong sense of helping each other among the Finnish SMEs and in the different forums they were part of. Staying transparent of their needs and wishes while networking helped the companies to form a realistic picture of their expectations faster. In practice this meant the more open the SMEs were about their plans to enter certain markets the more relevant advices they received and the faster they were linked to the right networks and persons. The value of open dialogue for information gathering was obvious for example in the case of NaturVention’s entry to China.

“We discuss very openly with everyone. So those who truly want to help or whose mission is consistent with ours will help us. We’ve noticed that if an enterprise doesn’t tell what they want to do exactly it’s quite challenging to help them. When we keep talking openly about our mission we are being contacted much more.” (Aki Soudunsaari, NaturVention)

In sum, the SMEs’ earlier experience affected which networks they considered relevant for their opportunity development. When discussing the distinction to social, institutional and business networks, social networks were seen most important in order to realize the opportunity. The SMEs emphasized the need to deepen local contacts on a personal level in order to enter the business. It was also challenging for the informants to differentiate between social and business contacts because access to the relevant business networks required developing connections on personal level first.

The SMEs had diverse knowledge and network profiles to begin with and this naturally influenced where they looked for knowledge in the first place and what specific networks they considered most beneficial for the knowledge increase. Getting tied up to the right networks was not planned but involved openness towards all encounters and

learning something from each. In those cases where the opportunity under discussion was the first foreign entry for the SME, Finnish internationalization agencies such as Finpro's services and business delegation trips were seen considerably valuable for establishing first local contacts. Those case firms that already possessed firm level or individual international experience mostly used their own networks to both establish first connections to the target market and to gain relevant market knowledge. Especially when the entrepreneur's global social network was extensive to begin with, the course of action was to contact and bring together the most suitable and rightly talented people in the existing network. Such connections also operated as a connecting point to finding trustworthy local partners. In a few cases the SMEs' founders knew each other's from previous positions in multinational corporations and this connecting factor was seen very important for the creation and internationalization of the business concept. The firms were also focused on building their knowledge base through internal networking. It was mentioned that the entrepreneur has to be able to build close personal ties also with his own employees and team members both in Finland and with the local team/subsidiary. This could then help in finding relevant external contacts and expand the company's or entrepreneur's presence to new networks. Despite of using different tactics to reach the relevant networks, the interviewees always emphasized the value of finding local contacts. When discussing why similar companies' had failed in the market the main reason was thought to be the lack of local networks and the unwillingness to be well acquainted with the locals.

Table 2 Network-embedded market knowledge

Firms	Watrec	NaturVention	Nocart	Wise Consulting Finland
Influencing factors				
Network-embedded market knowledge	<ul style="list-style-type: none"> •Importance of network ties to a regional development organization (Ladek) in Lahti, Finland -> Opportunity development initiated when the firm was contacted by a Finn doing thesis research for Ladek related to market opportunities in Mexico •Importance of connections to a local building contractor who is a partner with the end customer •End customer is the public sector -> Importance of developing good ties also with relevant public administrators in Mexico City 	<ul style="list-style-type: none"> •Strong presence in multiple domestic industry-specific and other forums to meet prospective partners and learn from the experience of other SMEs •Benefits from institutional networks: business delegation trip to China, authority assistance of the Finnish embassy in China to gain trust •Open dialogue with prospective partners and clients, other SMEs, and own workforce -> seeing every encounter beneficial for knowledge accumulation 	<ul style="list-style-type: none"> •Importance of finding a local partner who knows the culture and has connections to local business networks -> decrease of liability of foreignness •Building relationships to public decision-makers considered a key to the realization of opportunity development •Importance of physical presence of the entrepreneur in the local networks to gain trust 	<ul style="list-style-type: none"> •Strong emphasis on developing personal networks in Vietnam •Importance of good institutional networks, specifically to the government •The entrepreneur has had friends and acquaintances in the country already before the opportunity development -> developing a deep understanding of the culture and local customer expectations seen as the key to success in the market

Table 2 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
Network-embedded market knowledge	<ul style="list-style-type: none"> •Initial knowledge was developed through a market analysis done in cooperation with universities from Finland and the target country •Crucial influence of a Finnish honorary consul in order to develop local contacts to the influential networks and persons •Importance of developing trustworthy ties with the local institutional network, namely the municipality federation of Namibia 	<ul style="list-style-type: none"> •Being a member of export networks has opened contacts and negotiations in various countries and also indirectly helped to establish operations later in East Asia •Initial knowledge of the market potential in the Philippines gained mostly through a consultancy-led market study covering several East Asian countries •Initial partner search through consultancy-led shortlisting •Importance of developing connections with the local partner by spending time in the country 	<ul style="list-style-type: none"> •Market knowledge gained first through a Kenyan who contacted Ekolet and suggested to help finding local partners •Institutional contacts led to business contacts: crucial knowledge for the realization of the opportunity gained through a Team Finland –business delegation trip to Kenya -> connections developed to the first local partner organization 	<ul style="list-style-type: none"> •Initial understanding of the market potential in the Philippines developed through a market study •Connections to a local business consultancy forum and their Finnish manager •Learning experience after the market analysis: Most relevant knowledge and business connections developed through face-to-face meetings with prospective partners

4.2.3. Entrepreneurial alertness

By looking at the service offering of the interviewed SMEs it is clear that in many cases the product or service has been developed primarily to respond to unmet needs and interests of a developing market. The SMEs and their key persons have had an inherent interest towards information and patterns of foreign environments. To consider an emerging market that is both geographically and culturally distant as a primary market requires different combination of resources, both in terms of personality traits, prior knowledge and experience than opportunity development in other SMOPEC countries or the developed world.

In the case of the studied SMEs prior international work experience (of any kind) and social networks had clearly the largest impact on the heightened alertness towards opportunities in the emerging markets. Personality traits of the entrepreneurs and other informants were not studied directly, yet a certain kind of determinism and attitude of perseverance was obvious in all of the interviews. Tang (2007) discusses an extraordinary sense of smelling opportunities. In the case of the informants this can be related to the art of listening, which was mentioned a few times when talking about entrepreneur's ability to stay open for new opportunities. In addition to curiosity, listening was also related to a respect towards the counterparts and their different way of living. For example, when discussing the challenges of emerging market such as corruption, the informants saw corruption as an aspect of any economy and culture that is in a developing stage, not as a moral question of right or wrong. It was also mentioned a few times that rather than accessing a market with a ready-made product as is typical for engineer-oriented Finns, the whole process should start from listening what the market and the people really want. This was a realization the informants had primarily gained in the course of their previous international experiences.

“You have to view the society with an open and unprejudiced mind. It's probably the most important thing in order to stay alert to the market opportunities and changes. There might be a guy who walks in the meeting wearing a t-shirt and has capital worth 2 billion. And you never know what's happening in the background. Your business partner may be the son of the Prime Minister. And secondly, you have to listen..listen what the people really want. Stay alert, listen, observe. And this is what the entrepreneur has to do himself, it can't be delegated.” (Pasi Toiva, Wise Consulting)

Most of the informants brought up they were highly curious towards life in general. For some the earlier experience in international corporations and the connections that had developed through it increased the interest to look for patterns and events in the foreign environment. Earlier experience had also increased courage to be proactive and courage to be interested in new things. Entrepreneurs seemed to find joy simply in discovering

new ways of doing things. They also discussed themselves as people-centric persons and enjoyed meeting new people and learning from others.

“I’m super curious. And my level of ambition is very high. I want to understand and find out. And be talented in what I do, reach big things. The same applies to the whole team.” (Aki Soudunsaari, NaturVention)

Curiosity was an integral part of the whole business concept development and the whole team culture. The entrepreneurs and international business managers expected curiosity and entrepreneurial attitude from the whole SME and also from the local team or business partners. For example, one informant was of the opinion that attitude is of higher value than earlier experience from the target market.

“In order to respond to such a hectic market we don’t really have people who would simply be working here. The whole team has to share the motivation and thrill towards what we do. None of our workers had been to Africa earlier but an open mind and attitude are the most important.” (Vesa Korhonen, Nocart)

Also when the cooperation with the first local partners had not taken off well the informants brought up the importance of attitude. For example, in the case of company Y the first local contacts and partner had not met the expectations of the SME for a rapid market expansion and in the case of Nocart Ltd Korhonen mentioned that the first contact lacked perseverance to push through a deal. The informant of company Y felt the local partners had “lacked the right kind of business motivation because their own livelihood was not dependent on the partnership.” The entrepreneurs expected the same kind of perseverance from their close networks as they themselves had.

The informants seemed to share a strong trust towards their business concept and were very determined to push it through to the market despite of difficulties. It was expected that hardships would arouse and the informants linked them often to non-existent networks or liability of foreignness. Although in most cases they felt the SME’s business concept was technically above the competitors or that there was no

competition at all, they valued constant self-development, team development and product development very high. This was shown for example in their reference to reading a lot, including topics not directly related to their business. They also contemplated on how to preserve the high level of creativity and open interaction within their team, especially when the firm grows.

It became obvious that although the SMEs had collected information from different sources and asked many people's opinions, in the end they had to make the final decisions based on an intrinsic feeling. As Tomi Helkearo from Tapp Commerce said, "you have to search for a lot of opinions and consider whose argument you can trust in the end...but you will always get yet another opinion". This feeling may be based on a combination of earlier international exposure and information collected from various network discussions along the way. Accordingly, it seems that the view on alertness as an extraordinary aspect of personality (Tang 2007) does not apply to the informants. Their alertness was rather based on a learning cycle of trial and error. Ability to read the weak signals of the environment and to be receptive to environmental changes seems to be a result of determined and deliberate learning.

Table 3 Entrepreneurial alertness

Firms	Watrec	NaturVention	Nocart	Wise Consulting Finland
Influencing factors				
Entrepreneurial alertness	<ul style="list-style-type: none"> •Not actively looking for or sensitive to international opportunities in the beginning, focus initially in Finnish markets •International alertness developed when the firm was contacted by a Finnish-Mexican couple who initiated Watrec's opportunity development to Mexico City •Alertness concerning the Mexican opportunity development is gained mainly through the trusted local partner/subcontractor who has ties to the end customer 	<ul style="list-style-type: none"> •Curious mentality of the entrepreneur strongly led the product development, establishment of the firm and proactiveness to find international partners right after the establishment •Curiosity and entrepreneurial mind expected from the whole team •High motivation to learn from networks such as other Finnish SMEs operating already in Chinese markets 	<ul style="list-style-type: none"> •"We don't have people who would simply be working here" -> entrepreneurial attitude expected from all team members and local partners •Emphasis on open attitude towards cultural differences -> cultural awareness •Hardships seen as a valuable and necessary part of learning ->alertness develops through a cycle of trial and error 	<ul style="list-style-type: none"> •High emphasis on open and unprejudiced mind •The entrepreneur had developed high alertness and observation skills to read arising market trends by spending long periods in the country and having strong personal connections with locals also outside business networks •Entrepreneur's emphasis on self-development (reading, studying the culture and business environment, networking)

Table 3 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
Entrepreneurial alertness	<ul style="list-style-type: none"> •Founder of the firm very curious towards making an international entry soon after establishment -> extensive traveling on different continents to “smell the opportunities” and understand local market need •High emphasis on learning for future regional expansion: entry to Namibia is viewed primarily as a first case to learn from African markets 	<ul style="list-style-type: none"> •Perseverance and entrepreneurial mind of local business partners seen as the primary means to succeed or fail •Simultaneous look-out for opportunities in different continents, staying alert to best opportunities on global scale •Dynamic attitude and determination to shift from one market to another if the opportunity development in the Philippines does not take off rapidly 	<ul style="list-style-type: none"> •Operations were initially concentrated on Finland and the business was more of a hobby than the main focus of the entrepreneur •Contact requests from East Africa initiated the entrepreneurial alertness -> rapid focus shift from domestic to global •Currently active networking and determination to make a break-through in African and Asian continents 	<ul style="list-style-type: none"> •Extremely high speed of first international market entry to Indonesia and the following entry to the Philippines •High determination and trust to learn fast from the first entries and expand operations to other East Asian countries with the same speed •Interviewee’s alertness to the local culture developed in previous jobs -> high trust in intrinsic feeling

4.3. From market orientation to market knowledge competence

It became clear during the interviews that market orientation and market knowledge competence can be seen as a continuum and it is thus valid to discuss them under the same subheading. As mentioned earlier, this thesis is focused on the culture-oriented approach to market orientation (Narver & Slater 1990). It entails the idea that market-oriented firms possess an organizational culture that is more responsive to market information than their competitors. This culture and the inherent competence of creating superior value for buyers is unique to each company. In the view of Narver & Slater (1990) market-oriented companies are also depicted as more organized in their manner of collecting and disseminating information within the organization than less market-oriented firms. The responsiveness to information in the market environment, which is

very central for market-oriented firms, is logically also the first step for SMEs to start developing a new market opportunity. However, the distinct manner in which the informants discussed the market-oriented competence of their SMEs differs from the theoretical assumption on market orientation as a systematic and organized technique of collecting and disseminating market information within a firm. The attitude towards being market-oriented (and towards opportunity development in general) was more effectual than based on long-term planning or systematic moves.

“It (market research) wasn’t organized or documented. It was more about collecting information from different people..finding out that things are probably like this or like that.” (Company X)

Even though the SMEs’ attitude towards market orientation was different from that of systematic analysis and planning, they shared a strongly proactive attitude towards knowledge accumulation and pursued to understand the market insightfully also after the successful entry. In general, the interviewed firms felt they were market leaders within their field in terms of both their technical competence and their business concept. This assumption was the driver for their internationalization to start with; there seemed to be an understanding that they have a unique product or service that places them as a market leader if only they find the right local networks and partners in the emerging market that kicks off this development.

“We are able to deliver better quality with lower price. We made a first guess about what is our strength and to which markets we should head. It automatically ruled out all developed markets. Then we drew up a shortlist of prospective partners together with a consultant (in the Philippines). There were about twenty firms we visited in 1,5 weeks.” (Company Y).

A few SMEs mentioned that they had a solid experience from building their business first in domestic markets and thus “strengthening their home base”, which assisted in succeeding later on in the international opportunity development. This was connected to a shared will among the SMEs to deliver superior customer value. There was a desire to

understand the market and customer need insightfully. Although technical competence was considered important it was not seen as the fundamental driver for success in the opportunity development for emerging markets. Many of the interviewees brought up that although they had a market-leading product technically, they knew to begin with that the core strength would be in understanding the market and customer in an in-depth manner. This fact probably put even more stress on acquiring local market knowledge and growing local connections as early on as possible.

“It was obvious for me to begin with that if you look at what we do in Finland too, sales is not only about sales but solving customer problems. Unless you are very deeply involved in what you do, there is no way you can succeed in a new market.” (Company Y).

“We don’t approach the client with one kind of a technology and ask him to buy it. We rather go and ask what is the problem to be solved.” (Vesa Korhonen, Nocart)

The fact the firms stepped into an uncontested market space was among their main reasons to access a new market. This meant they felt there was hardly any competition and they needed to rather create the demand than to fight over existing customers. In the words of one entrepreneur, “I guess non-use is our largest competitor” (Company Y). Only few of the SMEs had a competitor-oriented approach to begin with. Majority had not thought about carrying out a competitor analysis as part of the market research. In many respects this is due to the target market being an emerging economy that offers immense potential compared to developed markets. The SMEs possibly felt it was more important to get acquainted with the customer potential and understand the customers than to execute a detailed or even a preliminary competitor analysis. Also the product or service offering of the interviewed companies (cleantech, energy, mobile service, health care, network information management) serves well the current needs of developing economies. This understanding had in most cases been in place already when the firm was established, also in those cases where the SME started operations first in the Finnish market. As many entrepreneurs brought up, there was either no competition at all or the competitors were not cost efficient enough or technically advanced enough to

cause direct competition at the time when the Finnish SME started to look into the opportunity. “In a way we have been able to implement the blue ocean strategy. We’ve seen a market with tremendous potential and zero operators.” (Vesa Korhonen, Nocart Oy).

Consequently, many of the SMEs did not see it either possible or valuable to use the SMEs’ time and scarce resources in a systematic customer/competitor analysis in the initial phase of the opportunity development. Interestingly also those firms that had started the information collection through a general market research commented that looking back now it would have been wiser to concentrate on building first-hand knowledge of the market through personal experience and contacts than focusing on a general analysis of the market potential. Building up the institutional and market knowledge was in most cases done through personal experience and contacts. The more general market analysis reports were compiled in cooperation with either Finnpro or a local partner organization/consultant. In two cases the proposal for a market research came from university students.

“Our market report was conducted in two parts. The first one was a document that was very specific compared to many other firms. It was done in cooperation with the Nordic Business Council in the Philippines...The market report was relevant and took us forward but in our next target market it might be useful to think less and go faster into partner meetings and the like...less top down –market research.” (Tomi Helkearo, Tapp Commerce)

Although a traditional market research was not considered very relevant by the SMEs, research results on the technical competence of the service offering were mentioned useful for building credibility and opening doors to relevant parties. Especially the collaboration with Finnish universities provided academic proof of the technical competence of the product/service. Such collaboration had according to two SMEs convinced the public stakeholders, who were in a certain gatekeeper role when it comes to building relevant market knowledge and enabling the first business meetings with the right people.

In sum, the SMEs were more than eager to receive new information and thus understand the market as fast as possible but in most cases the information gathering and customer/competitor analysis was not done in the systematic manner that the theory of market orientation utilized in this study (Narver & Slater 1990) refers to. In connection to this, when initiating the first contact points and looking into a possible market entry, the SMEs' understanding of the competitive position was based more on a gut feeling than on actual knowledge. Because the SMEs felt there was tremendous amount of potential in the market and that their product was already responding to future needs of the country as well, they concentrated more on finding the right strategy and channels to serve the potential customers than analyzing the environment thoroughly.

“We have thrown away the so-called school book approach and just started doing. In a way we lack all of the traditional market research and planning. But of course we do things according to plan. With my personal background in a multinational corporation I can't anything else. But we haven't done market surveys or competitor analysis of what is needed in the market because the need is just so huge that we are up to our ears in practical work without having to think what we will do next.” (Vesa Korhonen, Nocart)

It seems that a need to analyze the market developments more systematically, including building a more systematic expansion strategy, arose only after the SMEs had already made the decision to access the market and in some cases, had already operated in the market from one to two years. After penetrating the market and signing first partnership agreements the market-driven behavior moved from hands-on doing towards more strategic planning. This meant, for example, that some of the companies had started to look for opportunities with the whole world as their potential market, and later on decided to first gain experience and develop market knowledge competence in a few countries or one geographical area such as the East Asia. During the initial stage of the opportunity development process the focus was most of all in getting acquainted with the locals from very early on in order to understand the culture and ultimately find the right partner. It seems this informal method was considered as the best way to form

analysis of both customer and competitor situation. “It was a very hands-on process, our goal was to find a partner as fast as possible” (Company Y). Partly this effectual tactic towards collecting and disseminating market information was also seen as the only possible course of action due to the very limited human and economic resources of SMEs. Along the firm growth also the market-orientation seemed to develop more organized.

In some cases there was a local partner who had contacted the Finnish SME and sparked the initial idea of looking into the new market. “We kind of stepped into a ready-made process. Of course we had the piece that fit it but I don’t think we had gone there otherwise.” (Company X). When the opportunity was discovered through a local contact, it served as an information source of the local culture, political and commercial situation, and prospective customers. Thus, in addition to raising awareness and building deep knowledge of the market environment oneself, it seemed to be even more important to find a local partner that is very market-driven. In addition to getting hold of the deep market knowledge, another main factor for partnering from early on was to save time and scarce resources of the SMEs.

“There is no possibility to deal with the waste management of a distant country from Finland without a local partner who has the local contacts there. It is a life-long process to even become acquainted with the local culture and the complicated totality. We did not have resources to go into that. We had to have a local partner and we trust it in everything we can.” (Company X).

Although the market orientation in the SMEs is not very comparable to the well-structured and planned method the traditional view on market orientation proposes, it was obvious that the SMEs were strongly market-oriented in their distinctive manner. This appeared as *actively* looking for opportunities and partners in various markets combined with the urge to understand the market needs through first-hand, subjective experience. This orientation included also curiosity towards *all* information, especially in the beginning of the opportunity development. It was important to stay open towards

various information sources since it was difficult to tell beforehand what information would be relevant in terms of the opportunity development.

“If you sit in your office waiting for someone to respond to your email or to your website that has information in 10 different languages, you really have to wait for long. It’s not going to happen there.” (Company X).

“You have to be interested in various contacts and things. You develop quite many contacts in the beginning and you cannot really know at that point which of them will turn out to be beneficial and where is the beneficial information. But you always learn something from all of the encounters.” (Kalle Ylösjoki, Ekolet)

The initial recognition of the potential developed into a more localized understanding of the market needs through new networks and spending time in the market area before the entry. Together these also built up a more technical understanding of what is required in practice from the product or service to be locally responsive. In cases where the SME had initially operated exclusively in developed markets, the product/service was adapted to the requirements of developing markets. This meant a stripped-down version of the previous model or simply being able to deliver considerably better quality with lower costs than local competitors. The adaptation included also marketing; it was important to understand what qualities to stress for each audience and position the product accordingly. This is in line with the findings of for example Gabrielsson & Gabrielsson (2013: 1371), who found that alongside network capability it is also important in the internationalization phase for new ventures to complement it with the right set of *internal* resources and capabilities such as the right set of technology and marketing. The adaptation of marketing techniques and the product positioning developed simultaneously as the SMEs’ local network connections and local experience grew. Although many of the firms had invested in becoming and staying a global market leader with a technically superior product/service, they felt it was primarily through the network involvement and experience (both from earlier international markets and the field visits to the target market) that they were able to advance from market-oriented attitude towards *market knowledge competence*. Also existing clients in other markets

were mentioned very helpful in building this competence. Experiences from other international settings supported the information processing. They developed the cognitive model to mix earlier information with the new information and create new models to respond the particular market.

“It’s about filtering the market information and observing what is happening in the market. It starts by collecting and connecting bits of information you receive. Listening to the silent messages. You hear them when you discuss with your client. And then when you talk with ten clients there might be five that complement each other and that you can utilize when developing the business model. (Pasi Toiva, Wise Consulting)”

Table 4 Market orientation

Firms	Watrec	NaturVentio	Nocart	Wise Consulting Finland
Influencing factors				
Market orientation	<ul style="list-style-type: none"> • Working closely with the Mexican building contractor who is the direct party is the bidding competition and knows the market requirements • Through the local partner the firm gets access to better understanding the target buyers and actors throughout the waste management value chain in Mexico City 	<ul style="list-style-type: none"> • Product development has been led by customer experience since the prototype development before the firm establishment • Concerned of upholding the free flow of information in the company • Every employee is seen as contributing to the value creation for current and potential customers 	<ul style="list-style-type: none"> • Very case- and customer-specific tailoring of its products • Due to a unique technological innovation and tailoring the firm faced no direct competition and felt no need to do traditional market surveys or competitor analysis • Market need is so huge we are up to our ears in practical work⁽¹⁾ 	<ul style="list-style-type: none"> • Strong social networks help the company to understand and overcome the ‘business laws⁽²⁾’ of the socialist market economy and to be more customer oriented than foreign competitors • Entrepreneur is keen to constantly improve inter-functional coordination

Table 4 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
Market orientation	<ul style="list-style-type: none"> °International market orientation initiated by the founder of the company: several field trips to sense the potential for the product °In terms of the market entry to Namibia, initially more reactive than proactive towards the opportunity development °No direct competition in the market, felt no need for a systematic competitor analysis °A trusted local partner knows the waste management market and public decision-makers °With firm growth competitor analyses have become more systematic 	<ul style="list-style-type: none"> °Product is a market leader in the target market: better quality with lower price than competitors offer °Market research more effectual than based on long-term planning °Very oriented to solving customer problems °Deep technological knowledge as opposed to competitors 	<ul style="list-style-type: none"> °International market orientation low in the beginning; products sold mainly in domestic markets °Product model was developed for developed markets and the firm was serving a very different customer segment °Dynamic ability to make technical adaptations to the product based on demand requests from the East African markets °The new innovation related to the product model for emerging markets required careful analysis of end user needs and prototype testing in Asia and Africa 	<ul style="list-style-type: none"> °International market orientation very high since the firm establishment °Determination to penetrate several East Asian markets rapidly °Conscious decision to use the experiential knowledge from every market entry as a competitive capability when entering new markets in the region

In connection to the path from market orientation towards market knowledge competence, some of the firms went through a learning cycle, during which they understood that their initial excitement of the market potential was not enough to succeed in the demanding business environment. They spent more time in the country and observed the environment broadly. This helped to adapt their message to better correspond the local customer expectations. The value of first hand experience cannot be underestimated.

That was where we made a mistake in the beginning. That “we have an idea, let’s do like this”. And that’s how you learn. You might not need to adapt the product but you

need to adapt the message. So we've learned a lot about how to approach the market and with what kind of a message.” (Wise Consulting, Pasi Toiva)

Many informants stressed the significance of opening up to the local culture and its habits. This was a humbling experience for some on their road to understand that what had worked in previous countries was not applicable in the target market. Sometimes this meant that despite of a general belief or recommendations received through Finnish-based market research, the reality was different on the ground and needed a revision to the business plan. Along came the understanding that making mistakes is an essential part of the process and should not be thought as a failure. Rather it was through a fast cycle of trial, error and learning that the entrepreneurs and SMEs were able to respond to the market requirements.

“You can always conduct more research and read more... But you still have to be there on the spot and try things in practice. You have to learn a lesson the hard way and I wonder if there's even one single firm who hasn't gone through that.” (Vesa Korhonen, Nocart)

As an integral part of market knowledge competence the preliminary theoretical framework includes internal *resources and capabilities* of the firm. It was somewhat challenging for the informants to name specific capabilities that had enabled the opportunity development. Yet, seeing the larger picture seemed to be essential; a comprehension of what is happening in the market and how the specific industry will develop in the near future. This was necessary on the levels of both the organization and the entrepreneur/director in charge of the market penetration. Organizational resources and capabilities were deemed essential for not only transforming the received market information into an organizational competence but more importantly for making a successful entry and upholding the market success.

“It's easy to copy a product. You buy one and make the same yourself. But it's the know-how and experience that we have in this house that you cannot copy. You either have it or you don't... It's this deep knowledge that competitors lack, both technical and

the big picture behind waste management. We also differentiate with the strong brand. This is why these kind of companies come and go.” (Company X).

As the theory of market knowledge competence argues, transforming the knowledge of customers and competitors into innovation-relevant knowledge requires also organizational innovation. This appeared also in the discussions with the informants. Innovation was held essential in understanding the market requirements. It was discussed in a broader meaning than product or service model -related inventions. As Vesa Korhonen from Nocart Oy describes, “although we have technology in the background this is still more of a business innovation.” The organization-wide view on innovation among the SMEs could be compared to the market orientation view of Narver & Slater (1990). Marketing and better customer experience is not only the responsibility of the marketing department and similarly also the innovation that is needed to develop market information into knowledge competence should not be held as a responsibility of only a few. Rather the entrepreneurs stressed the whole staff has to stay alert and proactively take part in how things are done. Although the entrepreneur would encourage everyone to innovate and share ideas openly it was underlined that fundamentally organizational innovation is something one cannot manage formally. It is rather an inherent part of the organizational culture.

“An organization that is reasonably innovative does not need separate innovation events. I’ve been in quite a few of those, such as let’s place post-its on walls and innovate. But to take it forward from there is very challenging. You need to manage the delivery of that sparkle into the organization informally and steer and analyze the development. Otherwise the sparkle will never light into a fire...you need to be able to build an organization without the need for an innovation manager who forces staff to innovate. I think that was Nokia’s biggest problem.” (Pasi Toiva, Wise Consulting)

As essential parts of the organizational competence, in addition to the emphasis on innovation, the informants mentioned the importance of free flow of information. Although both innovation and free flow of information were seen mostly inherent, the entrepreneurs recognized a need to guide them and provide necessary platforms that

would allow further information sharing. Consequently, practical management processes were considered relevant already from the beginning. For example, in the case of NaturVention, which is in the phase of finding the right partner for its planned penetration into China in 2017, organizational culture and information flow were seen crucial for further growth.

“We have to be able to keep up the open communication. We won’t succeed without a strong interaction and a culture that embraces it. People here participate also in building our vision. Everyone can make an impact. When we think of management processes and all, we have to consider these things...we cannot trust that everything will be discussed around the coffee table.” (Aki Soudunsaari, NaturVention).

When discussing how to produce, share, and control information freely, a few of the informants brought up that the more the firm grows the more requirements it places on handling the information sensibly. Having started the knowledge acquisition rather informally the informants mentioned it was increasingly important to actively think how the essential information reaches all team members. Similarly the information flow between the local partner and the SME was considered more complicated as the operations in the target market had started. Yet this was more related to trust issues than the free flow of information per se. Especially in the beginning of acquiring information and building the knowledge base related to the market, the SMEs were faced with having to learn how to balance between public and internal information and whom to trust.

“We have to remember that the information we receive is filtered already when it reaches us. The partner tells what it wants to tell. There is a world they don’t want to announce and we never hear of it, at least through them.” (Company X).

Among the organizational assets, also patience towards the often slow processes was mentioned. Some of the informants mentioned that they were rather surprised with how long the process from the initial idea to the market penetration had taken. During the learning process the firms understood how important developing relationships were for

receiving relevant knowledge and thus being seen as a trusted partner. With time the interviewees seemed to not only accept but also learn to appreciate the tremendous amount of time needed for socializing and networking. It became not only an obligatory element but a central piece of knowledge accumulation. Building close relationships was with time understood as an organizational asset in relation to competitors.

“You need to preserve a certain level of patience. To follow through this kind of a project to the stage it develops into an agreement takes tremendous amount of personal time and relationship building. It’s a slow process and requires collaboration.” (Juhani Suvilampi, Watrec)

When an opportunity finally opened, it happened in some cases surprisingly fast and required rapid reaction from the organization. Thus, in connection to being patient, also an ability to react fast when the market opportunity finally starts to unfold was considered beneficial. This fluctuation between slow and fast market pace was held typical for the dynamic of emerging economies; there was a certain level of unpredictability that the SMEs needed to accept and turn into their advantage. The uncertainty was held positive in situations where the company had preserved patience and waited for things to move forward while simultaneously paying attention to the internal structure. To get hold of opportunities that came visible unexpectedly the internal structure of the organization needed to be on alert and thus flexible to react fast.

“Through the initial market research that we made I understood that it’s almost incomprehensible how much there happens in Vietnam constantly. But my conception has changed along the way. I’ve come to understand that to actually get hold of the market is a long road although it looks like there’s a lot going on all the time. That’s the biggest thing I’ve learned. And on the other hand, when things then start to move forward they move with extreme speed.” (Pasi Toiva, Wise Consulting)

All in all, the companies mentioned various influencing factors for the development of their market knowledge competence. Networks provided an important addition to their

internal capability toolkit. Specifically local contacts helped to place expectations of the market potential on realistic knowledge. Similarly, earlier experience of international business, either in previous workplaces or in the current SME, was seen influential for knowledge acquisition and processing.

Comparing the traditional definition of market orientation to the interviewed SMEs it became clear that their idea of a market-oriented culture was not in line with the traditional market orientation view of Narver & Slater (1990). The fact that most of the informants were entrepreneurs and that the firms were in the SME category obviously influenced their different understanding of market orientation than that of large multinationals. Yet, it was a given fact for the informants that their firms have to be fully responsive to the local customers and listen attentively how the market environment develops for or against their benefit. The fact the market was an emerging one made the responsiveness even more crucial; the firms felt they had to understand the local setting better than their competitors, have the assistance from locals and stay flexible if they were to succeed. Market orientation was an attitude that was presumed not only from the SME but also its local partners. Without a market-oriented partner the interviewees felt both accessing the market and becoming a market leader were very challenging. Market orientation developed to knowledge competence as the information and experience was processed within the firms. For this to happen a few specific internal competencies stood out, namely a proactive and humble attitude towards all contacts and information, free flow of information within a firm, and promotion of open firm culture, in which everyone feels the right to innovate and contribute to the opportunity development. On top of these *internal assets*, being connected to the right networks was held as the most important *external asset* on the SMEs' path from market orientation to market knowledge competence.

Table 5 Market knowledge competence

Firms	Watrec	NaturVentio n	Nocart	Wise Consulting Finland
Influencing factors				
Market knowledge competence	<ul style="list-style-type: none"> °Learning first from domestic market to develop technical competency for international entry °Trusted local partner is able to evaluate the project development realistically and constantly °Knowledge sharing and processing takes place also among other Finnish SMEs that are involved in the project °Central organizational assets: patience toward slow processes, ability to stand high risk if project won't be realized after years of preparation, long-term relationship building 	<ul style="list-style-type: none"> °Constant product development: the knowledge gained from customer experiences used for improvements °Technical capability combined with network-embedded management capabilities: advisory assistance for internationalization received from former university lecturer and other experienced senior-level partners °Entrepreneur strives to keep up the open innovation and knowledge sharing within the organization although the firm grows rapidly 	<ul style="list-style-type: none"> °Motivation for organizational learning high °Willingness to modify the business concept case by case is largely led by constantly listening to customer preference °Has developed a dynamic capability to transform the firm as market evolves °Market orientation developed towards knowledge competence as the firm faced initial difficulties to find a trusted local partner and needed to invest time and effort in finding locals that were able to, not only provide information, but also negotiate first deals 	<ul style="list-style-type: none"> °Serial entrepreneur's dynamic capability to combine company's and network's resources with experiential knowledge °Ability to develop new business models and to sense and respond to arising trends in the Vietnamese market °Entrepreneur emphasized the need for organization-wide innovation °Manager's role in feeding the organizational innovation and steering the development in the right direction

Table 5 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
Market knowledge competence	<ul style="list-style-type: none"> °Organizational learning to filter all information received from the foreign local partner -> trust develops as knowledge accumulates °Seeing the big picture is considered more important for market success than the firm's technological market leadership -> developing the ability to transform market information into innovation-relevant knowledge 	<ul style="list-style-type: none"> °Technological leadership combined with the ability to recognize those markets where high gains can be received when partnering with the public sector °Looking at the business more as solving problems than solely increasing sales °Learning experience to recognize a local partner that has highly entrepreneurial attitude 	<ul style="list-style-type: none"> °A path from developing all kinds of contacts towards recognizing which of them will provide beneficial information -> a learning cycle of trial and error °As a small firm the entrepreneur finds it essential to invest a lot of time in network building -> networks seen as a core organizational resource 	<ul style="list-style-type: none"> °Strong ability to combine foreign market knowledge gained in previous positions for the concept development of TappCommerce °High motivation to build local teams right from the start °Competitive advantage development: not based only on technological innovation but increasingly on the reputation of being seen as one of the locals

4.4. Core process

The model of Ardichvili et al. (2003) describes the core process of opportunity formation as a set of three phases. First a company perceives the market need and unemployed resources. Secondly it recognizes or discovers a fit between the market needs and resources. Thirdly it creates a new fit between those needs and resources that then develop into a business concept. The discovery theory emphasizes that opportunities are discovered primarily through changes in the environment and are thus independent of the entrepreneur. Creation theory is stressed when an entrepreneur and a firm influence the creation of an opportunity by their actions and reactions. In the case firms discovery and creation were both present. Perception that is part of the

preliminary theoretical framework seems to be however more of a feature of the entrepreneurial alertness. Therefore this analysis concentrates on discovery and creation only. Often the opportunity started more as a discovery but developed over time and with increased resources towards the creation side. In some cases also the product and service offering of the interviewed companies was flexible to respond uniquely to different customer needs. This flexibility was in many cases also among the core competitive advantages of the SMEs. There were also cases when the market opened to the company without substantive changes to the initial product and service offering, and yet, after the first customer contact the company started a new development cycle to attract different customer segments or respond to a market need that was discovered only after having operated in the market for some time. Interestingly, in these cases the first entry was often done with quite a different product or service than what the company later on developed. Such further changes and developments to the business concept and offering took place after getting acquainted with the market needs and competition better and being present in the market already for some time.

“It’s about both discovering and creating the opportunity. When we went to the prospective clients the first time they told us this is exactly what they have been looking for. On the other hand, we had been searching exactly such customers so it was a perfect fit. Similarly, when we move further in the market and ask people what our business concept could do for them and what’s possible, we constantly create the market.” (Vesa Korhonen, Nocart)

The basic structure of Ardichvili et al. (2003) and the preliminary theoretical framework of this study require therefore slight adaptations not only regarding the influential factors but also the core process. The interview results of the SMEs internationalizing to emerging markets indicate that the opportunity discovery and creation should be seen as one unit rather than separate entities that take turns along the firm’s market penetration. Rather than being only sequential as Ardichvili et al. (2003) argues, in some of the case firms creation and discovery happened even simultaneously. In addition, the opportunity development process does not follow a linear path as was expected in the

preliminary theoretical framework. The process is iterative since the opportunity is evaluated and re-developed throughout the process.

“We have been strongly on the discovery side but are now going towards the creation side. We try to build new ways of doing things and develop new products for the market. And not just do it ourselves but actively direct our existing customers to develop those products. It’s about starting to understand the market...the big gains are in the creation side.” (Pasi Toiva, Wise Consulting)

In many cases the product or service was itself a market innovation but it needed to be matched with the right market need. This required constant re-evaluation of the business concept. The emerging market context seemed to increase the need for an iterative re-inventing opportunity process as compared to opportunity development in developed markets. It is thought that creation takes place when neither the demand nor the supply exists. Thus, an opportunity would also simultaneously create new markets. This was the case in some of the SMEs, especially when they had a technological invention that had no direct competitors in the market. However, all of the SMEs were responding to needs that are typical for emerging markets. In some cases the initial idea for the business concept and/or its internationalization was closely linked to entrepreneurs’ foreknowledge of the special attributes of emerging markets, especially the market’s infrastructural needs.

The ongoing market development requires certain agility and flexibility of the SMEs. How agile the firm is able to be depends also on the entrepreneur’s and management team’s willingness to listen to the signals of the market. The opportunity takes shape through the growth of the knowledge competence when the environment becomes more familiar to the firms. Even for those firms that had already established a steady income flow and presence in the target market, the opportunity development was still ongoing. This required a very learning-oriented approach. The more localized the firm became through time, the more possibilities it saw for developing and expanding the business concept or creating something new.

When discussing the core process of opportunity development, the value of networks was once again evident. This means that networks were not only considered beneficial for the initial understanding of a certain target market but they were often also the only way to realize the opportunity. For example, in some cases networks were the channel to find suitable large-scale corporations or organizations to partner with. They could act as system integrators or distributors for the products and services of the SMEs. Such influential partners were seen to provide opportunities for learning about the market environment and a way to quickly accelerate growth by opening access to a larger end-user base or a certain technological infrastructure as in the case of energy and IT companies. Networks were also an important addition to the small firms' scarce resources. Good initial networks enabled a faster market entry than in cases when the market was unknown to the firm and it needed to develop all contacts from scratch. Often if the entrepreneur or management team had developed large international networks in previous jobs, they found these contacts useful in identifying suitable distributors, subcontractors and other partners in the local market. Often it was difficult to plan or know beforehand which old contacts would be useful in the opportunity development. Knowledge acquisition from networks was not systematic, what mattered most was to first stay alert in all networks and respond to all contact requests. As the opportunity development and market entry reached a more stable stage, the firms started to be more selective in responding to contact requests.

“We didn’t have a clear picture where to enter first but internationalization was in our mind right from the beginning. Opportunity recognition is a crucial thing. In our case its about how you notice the opportunity in the network. So we move forward with the network...We need to find the local reference environment, the local partners, local media and PR.” (Aki Soudunsaari, NaturVention)

As the quote above depicts, some discussed “noticing opportunities” whereas others used the terms developing or perceiving. Yet, also in those cases, where the emphasis was more on the discovery side, the process that led to that point had required active steps from the SMEs. Only in one case (company X) the company felt it had stepped into a ready-made process, which meant having the right connections in place and an

infrastructural market need that allowed a large-scale entry right from the start. However, also in that case the initial product did not in the end suit the local climate and required technical developments within the first few years. In sum, common to all of the core development cases was that despite of differences in stressing perception, discovery or creation, the process was always lead by iterative development efforts and an active attitude towards the local market needs. Even in cases where the product matched the local needs as such, it was mentioned important that the firm approaches prospective customers proactively. Especially in cases where the technological offering was new to the target countries, the SMEs felt they needed to actively approach people and inform them about their technologically superior service offering. In connection to this a few interviewees mentioned that the engineer-driven attitude (that was seen typical for Finns), in which a technologically superior product is enough to open doors to markets, is outdated. A superior product would not lead to a successful market entry without the SME first focusing on local signals and gaining trust in relevant local networks. Some companies described the whole world as their opportunity. Yet even then they hurried to mention that the focus should still be on how to approach a market sensibly and how to keep the focus on the local needs despite of seeing global potential right from the start.

Rasmussen & Tanev (2015) suggest that the common features of international entrepreneurship, innovation networks and early internationalization could be brought together in a new firm type, the lean global startup. These features have been found essential both in the literature on international new ventures and born-globals (Oviatt & McDougall 1994) and in the relatively new lean startup model (Furr & Dyer 2014). The lean startup approach focuses on how small firms can develop their products and services in an agile manner despite of their scarce resources and market uncertainties. Born-global research focuses on how an SME can accelerate a fast entry to global markets. The combination of these research streams thus focuses on how entrepreneurial companies can accelerate a fast market entry and operate in complex business ecosystems. The features that came up in the interviews, both in relation to the influencing factors as well as the core process, seem to hold similarities with the lean global start-up approach. This is despite of the fact that the study did not narrow the

case companies to born-globals or lean startups. The interplay between high alertness, iterative product development, emphasis on organization-wide innovation, and ability to stand high levels of uncertainty is however apparent in the empirical findings and also essential for the lean global startup model. It could be stated that any SME internationalizing to the unstable emerging markets can benefit from the findings of lean approach and INVs/born-globals. The common beneficial features for the SMEs' opportunity development will be discussed further in the conclusions together with the re-modeled theoretical framework.

Table 6 Core process

Firms	Watrec	NaturVentio n	Nocart	Wise Consulting Finland
Influencing factors				
Core process	<ul style="list-style-type: none"> ◦Actively searching for international market opportunities since 2006 when Sitra invested in Watrec. The opportunity to Mexico was however more a discovery ◦Preparation for market entry (since four years) has concentrated on strengthening relations within the local network ◦The opportunity development requires patience and consideration of possible losses; elements of effectuation logic in decision-making 	<ul style="list-style-type: none"> ◦Unique product creates new markets ◦Market entry to China requires creating suitable partnerships ◦In terms of China, firm focus currently in strengthening its position in local networks to gain an accepted market position ◦Iterative product development ◦ Organization-wide innovation for opportunity development; every employee expected to contribute to the common vision and use their own networks for advancing the opportunity 	<ul style="list-style-type: none"> ◦Discovery of an unmet market need in Kenya followed by active networking with Kenyans both in Finland and in Kenya ◦Initially a discovery ◦Opportunity developed towards market creation when the firm learned more in depth of the market needs -> Dynamic changes to business concept development ◦ Since first entry and discovery of the market, growth opportunities in Kenya have been created more endogenously by actions and reactions of the entrepreneur 	<ul style="list-style-type: none"> ◦Initial failure to approach the market with a ready-made idea; learning to listen the market took two years ◦First opportunity outcome was a discovery. Now, with time and knowledge increase, heavy emphasis on creation ◦Development of several business concepts in Vietnam (consulting, export, social enterprise) ◦High alertness for future trends ◦Prerequisites for success: acceptance of slow progress and affordable losses, ability to react fast

Table 6 continued

Firms	Company X	Company Y	Ekolet	Tapp Commerce
Influencing factors				
Core process	<p>°According to the CEO the market opportunity development to Namibia was a clear discovery</p> <p>°Without having been contacted by the Finnish and Namibian university collaboration and the influence of Finnish honorary consul the opportunity would not have been found</p> <p>°Two years after starting manufacturing in Namibia the product was remodeled to better hold the heat and local conditions</p> <p>°Further market entries in the continent have been a mix of discovery and creation</p>	<p>°The firm's marketing manager (current CEO) saw the emerging market potential and heavily influenced that the firm started to look for international market opportunities</p> <p>°Out of East Asian markets and without pre-created networks, the Philippines (capitalist market economy) was chosen as the most probable for successful entry</p> <p>°The firm learned that local decision-making and partners are slower than expected ->under evaluation now whether to exit and develop a feasible opportunity to other markets</p>	<p>°Through contacts from emerging markets the company learned its products might have tremendous market potential outside Finland; discovery</p> <p>°After the product was tested in India the firm realized there is a need to modify the product before emerging market entry can succeed (cultural, economic and environmental aspects)</p> <p>°Currently both discovery and creation are present as the firm continues to develop its business concept in East African markets</p>	<p>°Opportunity development to the Philippines started with systematic market analysis and a rather causal approach.</p> <p>°In the initial phases time was used extensively to traditional analysis techniques that were later seen somewhat unnecessary compared to what the market taught in practice</p> <p>°As the opportunity developed, also the tactic to approach the market changed towards effectual and iterative</p> <p>°From discovery towards creation</p>

5. CONCLUSIONS

This chapter summarizes and concludes the theoretical and empirical findings of the thesis. The preliminary theoretical framework is further compared with the empirical findings and analysis. Based on the findings a revised theoretical framework is introduced. Furthermore, this chapter discusses the limitations of the research and finally draws managerial implications and suggestions for future research on the subject.

5.1. Summary and discussion of the study

This study concentrated on the opportunity development process of small and medium sized companies (SMEs) that internationalize to emerging markets. On the basis of the research gap the main research question strived to answer “How do Finnish SMEs recognize and develop business opportunities when entering emerging markets?”. Furthermore, comprised of literature on international entrepreneurship and opportunity formation this study examined the research question through two objectives: (1) How does the core process of opportunity development look like in the studied SMEs and (2) What are the main influencing factors for the opportunity development in the studied SMEs.

The focus of the study was formed based on several research gaps. First of all, there is relatively little research done on the capacity of small firms to learn from international markets and apply the gained foreign market knowledge for their competitive advantage (Musteen & Datta 2011). In relation to such learning from international market environments, more research is also needed to better understand how companies connect the acquired new information to their core operations (Jaeger et al. 2016) and thus, how market-oriented behaviour develops into market knowledge competence (Ozkaya et al. 2015). Academic findings on market knowledge development call for more research specifically in the context of SMEs and international operations (Ozkaya

et al 2015; Johanson & Vahlne 2006). Literature on entrepreneurial opportunity development in SMEs provides a suitable framework on which to lay the foundation of this study. It combines elements of the entrepreneurial nature of SMEs, foreign market knowledge, and the importance of networks for SMEs' opportunity development.

The literature review (chapter 2) of this research introduces a model for opportunity formation (Ardichvili et al. 2003) (figure 1.) that helps to understand how entrepreneurs start developing opportunities and how perception, discovery, creation, and evaluation of the opportunity may vary depending on the case firm and the specific opportunity. Because the development of the opportunity is context specific and the model by Ardichvili et al. (2003) does not consider international setting, the preliminary theoretical framework (figure 3.) developed specifically for this thesis, is a collection of findings from multiple studies. First of all, it is expected that the opportunity development is sparked by market orientation, meaning that the firm's core will is to satisfy and exceed customer needs. This study follows the market orientation view of Narver & Slater (1990) that sees market orientation primarily as a firm culture. Secondly, the preliminary theoretical framework includes two major influencing factors, *international exposure* and *network-embedded foreign market knowledge*. The focus of this study is on *international* opportunity development. Earlier research on SMEs' internationalization highlights the influence of SMEs' earlier international experience as well as the contribution of networks for their market knowledge development and the following opportunity formation process. Therefore, these two influencing factors were chosen as the primary influencers and they were expected to increase the *entrepreneurial alertness* and *market knowledge competence* of the SMEs. The preliminary theoretical framework thus includes a number of changes to the original opportunity development model of Ardichvili et al. (2003). It aims to be more responsive to the empirical setting that is narrowed to Finnish SMEs opportunity development to emerging markets.

The empirical part of the thesis (chapter 4) was based on eight in-depth interviews with entrepreneurs and CEO's of Finnish SMEs that were in different stages of their market opportunity development to emerging economies. The interview guide was semi-

structured and allowed the interviewees to stress different topics and bring forth their personal views on the matter. Comparing the preliminary theoretical framework to the empirical findings several research findings can be drawn. Thus, based on the interviews some changes are made to the preliminary theoretical framework presented in a revised version at the end of this chapter. Each interview concentrated on opportunity development in one specific country. However, it became obvious during the interviews that often the firms look at opportunity development as area-specific rather than country-specific. The foreign market knowledge that they gain from one country seemed to be relevant also for the opportunity development to neighboring countries. Such synergy advantages were held important and all the firms looked for opportunities simultaneously in many countries. Similarly, network relations that are developed within one country were also beneficial across borders. Thus, many of the SMEs had the intension to expand operations rapidly within a specific geographical area such as East Asia.

Regarding their *international market orientation* it can be concluded that the firms did not correspond to the market orientation view of Narver & Slater (1990) as such. Collection and dissemination of market knowledge was not as structured and planned as the theory of market orientation implies. Yet, the entrepreneurs and CEOs shared an entrepreneurial style of being market-oriented. It was composed of curiosity towards all kind of information and being actively involved in a number of networks. They shared an entrepreneurial willingness to create superior value for customers and to understand the market as insightfully as possible. The organizational culture was open to understand the foreign market requirements and to evolve more responsive towards it. International market orientation was first low in some firms, that had operated solely in the Finnish market for some years. Those firms that fit the born global category and sought to internationalize to several countries soon after establishment the international market orientation was high from the beginning. In both cases international market orientation became increasingly important when the market entry became closer to realization. According to the SMEs, networking and general curiosity towards information helped to understand the market's competitor and customer base faster than systematic market analysis would have done. Their different manner to approach market

knowledge as opposed to MNEs is explained partly by their smaller size and scarce resources to commit in an in-depth analysis alongside their daily operations. Soon after learning of the tremendous potential for their product or service in a specific market, the SMEs' focus was mostly in developing local relationships and approaching the market with a rapid speed. They shared a strong trust in the superiority of their business concept. According to the interviewees, the SMEs product and service offerings were technologically so advanced or unique that this made them automatically responsive also to future needs. For this reason they felt being clearly more market-oriented than their possible competitors. This trust in one's business concept and product offering did not however decrease their strive for constant development and re-evaluation of their product and of their organizational competence. The entrepreneurs expected this strive for self-development and excellence not only from themselves but also from their whole team and local partners. Such understanding also supports the theoretical findings that the whole organization contributes to value creation market-oriented firms (Narver & Slater 1990) and the organizational culture encourages creativity (Naldi et al. 2015). In terms of competitor orientation the empirical findings contradicts with the theory expectation that firms would seek to understand their competitors' competencies and weaknesses in long- and short-term perspective (Narver et al. 2004). They did not position their products or services in terms of competitors but rather focused more actively on staying truly customer-oriented. Also the fact that majority of the interviewees did not see any direct competitors for the company's business concept had an influence on their attention being more on understanding local preferences and finding right partners than following present or future competition closely. It can be concluded that mostly the firms did not give much time for seeking to be highly competitive-oriented in the beginning. However the need to follow competitors' actions and future plans in the market increased when the firm had entered the market and its operations stabilized. It can thus be concluded that their market orientation developed more comprehensive with time.

Concerning the two influencing factors, *international exposure* and *network-embedded foreign market knowledge*, the results are to a large extent in line with the preliminary theoretical framework. The empirical findings show that both played an important role

in increasing the entrepreneurial alertness and market knowledge competence of the SMEs. International exposure was seen important especially because earlier international experience encouraged the SMEs to look for opportunities also in emerging markets, where market conditions differ greatly from the Finnish SMOPEC market context or other developed markets. As was expected in the theory, former exposure to international settings had developed an international mindset (Acedo & Florin 2006). Often the entrepreneurs or the SME's management team had earlier international work experience from MNEs. According to them, such experience gave them more incentive to seek opportunities in a global scale. In line with earlier findings (Zahra et al. 2000), some of the entrepreneurs mentioned their earlier international experience made it easier to work with the complexities of emerging markets and bear risk. *All* international experience was seen beneficial. In fact, there were cases when the entrepreneur or foreign market manager had earlier work experience from the geographical area but decided to start the first international opportunity development of the SME to another country in the area. This indicates that other factors than experience were more important in the decision. For example, a seemingly larger market potential or purely learning from a new market were at least a partial reason. Any kind of international experience also increased network benefits. It was often through already existing networks that the SMEs received the first idea to look into the emerging market opportunity.

Based on the empirical findings it can be concluded that although earlier international experience gave an incentive to seek for opportunities, networks were crucial for their development and realization. This supports earlier research findings that interaction in networks provides SMEs the relevant knowledge to internationalize (Johansson & Vahlne 2006). They operate as engines for internationalization and the empirical findings support the argument that SMEs' foreign market entry can be seen as a process of creating, developing, and maintaining a position in a foreign market network (Sandberg 2008). Institutional, business and social networks were all mentioned valuable in the different stages of the opportunity development. Yet, in the *emerging* market context social networks seemed to be most important for successful entry. The study supports the finding that social networks have particular importance when a

company does not have previously established business contacts in the country (Musteen & Datta 2010) Sometimes reaching to social contacts meant that the SMEs' business contact in the emerging market had personal ties with someone who was in so-called gatekeeper role for a successful market entry. For example, knowing someone who had personal connections to necessary institutional decision-makers or knowing someone who originated from same geographical area as the customer and could help to develop trust among the partners. In most cases, in order to have the approval of institutionally relevant players such as local administrators, it was important for the entrepreneur to personally spend time in the market and invest in developing personal relationships. Such direct or indirect personal connections reduced the SMEs' liability of foreignness and seemed to be the best route for finding trustworthy local partners in the often unpredictable and messy emerging marketplace. Knowing someone personally also opened access to relevant business networks. This supports the theoretical finding that the greater the business network knowledge, the higher the degree of insidership in the foreign business network (Hilmersson 2014). The findings also show that in many emerging markets, on their way to establish business relationships the SMEs focused first on developing social relationships with the locals. Business was viewed personal in many of the emerging markets as opposed to the Finnish business environment. Reaching the point when the first deals were signed required often that the SME was considered already as "one of the locals". The localization was therefore not solely about localizing the business concept but primarily about being counted as a local within the local networks. Clearly this increased the need to develop networking skills and personal relationships. Such findings are in line with a study by Gabrielsson & Gabrielsson (2013), which states that developing networking capabilities is important for SMEs' international growth. This can be applied also to finding beneficial networks in the domestic context. If the entrepreneurs lacked previous experience in international market entry and organizational management, an additional management team could support their internationalization.

In sum, to find the most beneficial networks and relationships it was important to be actively present in various networks. The interviewees saw that all contacts increased their foreign market competence in some way. Even when the first local partnership

agreement was not successful (as was often the case) the first local contacts were a good way for the SMEs to better understand the local culture and its market dynamic. In addition to knowledge acquisition from networks, alliances and partnership helped to alleviate these small firms' resource constraints. They were thus often the most important external addition to the firms' capabilities.

Concerning the *entrepreneurial alertness* it can be concluded that alertness was based more on earlier experience and learning from encounters with relevant people than on an extraordinary skill of reading the environment and smelling opportunities unlike some studies argue (Ray & Cardozo 1996). However, as Ardichvili et al. 2003 argue, it seemed that both the accumulation of international experience on individual and firm level as well as the accumulation of networks fed the curiosity of the firms to learn more. The interviewees often brought up that they were also naturally curious towards all kind of knowledge and appreciated self-development very high. They also stressed that when it comes to entering emerging markets, attitude for being interested and unprejudiced towards new information is more important than former international experience. However, former international experience can be expected to also develop a more open attitude, which makes it difficult to compare them. Entrepreneurs connected alertness to determination and perseverance. These were needed in order to live through the cycle of trial and error, which was held inherent for any successful opportunity development. Learning through mistakes was seen overall beneficial and there was a shared opinion that all companies that are new to an emerging market will stumble before learning to operate locally. It was often through the second or third partnership agreements that the market finally opened to the SMEs. As part of the learning process organizational creativity was also mentioned beneficial. This supports the finding of Acedo & Florin (2010) that entrepreneur's proactiveness increases creativeness and innovative behaviour.

In terms of the *market knowledge competence* it can be concluded that there is a clear difference between market orientation and market knowledge competence. The latter is a step further in the process of processing the received market information. Market orientation is about the willingness to hear the local market signals and understand the

market, but market knowledge competence develops when the firms are also able to transform the information into innovation-relevant knowledge that is also skillfully combined with their core competencies. It is much about combining own intuition with reading the environment correctly, learning to recognize which information is relevant for the specific opportunity and how to process the information in an innovative way. The findings support the argument of Hills et al. (2008) that close customer contact has a positive influence on the development of this competence. The research results indicate that for SMEs pursuing opportunity development to emerging markets, networks function as a necessary extra competence to get closer to customers. Time spent in the market, even when chatting with locals on street corners, can be part of creating a closer customer understanding.

The empirical findings on market knowledge competence are supported by the theory on international entrepreneurial culture (IEC), which argues that firm-specific dynamic capabilities that are rooted in the firm culture facilitate SMEs to seize on international opportunities (Gabrielsson et al. 2014). Market knowledge competence is thus also about the dynamic ability to modify the business concept to better serve a certain market and adapt the SME's technical and marketing competencies to respond to that. This competence grows largely through experience-based learning and participation in local networks. In order to stay alert to changes in customer and competitor base and uphold the success of their business models, the interviewed companies were devoted to preserving and developing organizational openness to information and organization-wide innovation. In addition, the firm needed to stay flexible and bear high risk. This was above all important when operating in the emerging market context. Despite the process would indicate the opportunity is very likely to materialize the firms learned from drawbacks that everything is uncertain until a deal is officially signed. In addition, the preparation time may take years. Yet, when the first proceeds were reached, the business developed often with an extreme speed compared to developed markets. This required that the SME's organization were flexible enough to bear the quick changes and keep up not only with the growth but also with the learning that came with it. This simultaneous balancing between patience and dynamic action is an important finding the literature review did not consider. The patience is however related to the ability to

bear high risk, and thus supports the research findings of Gabrielsson et al. (2014). As they found, risk attitude affects positively the early growth phases in INVs. Similarly, they stressed the importance of firm's ability to transform itself to correspond to dynamic market changes, which also proved to be very essential for the studied SMEs. Although this study did not give attention to the changes of entrepreneurial attributes such as risk bearing and effectual planning and decision-making in different stages of the firm growth, it seems to support earlier evidence that such dynamic capabilities are more beneficial in the early development stages. Whether they may prove even harmful in later stages as Gabrielsson et al. (2014) found, would require extended research. Yet, unlike their findings, for example proactiveness and innovation propensity proved to continue being essential for all the SMEs also after a successful market entry. However, some of the entrepreneurs mentioned that in terms of market orientation and risk, more organized and causal planning became more important with firm growth. The fact that the studied SMEs developed opportunities solely to emerging markets is likely to influence these somewhat contradicting results to earlier research. It can also be concluded that the mediating role of knowledge competence between market orientation and innovation (Ozkaya et al. 2015), although originally developed for MNEs, fits well also the context of the studied SMEs. The core process of opportunity development was largely facilitated by innovative combination of external and internal firm competencies.

As a conclusion concerning the *core process*, empirical findings suggest that the opportunity development resembles the evolutionary realist process (2.1.1.). This theory stresses that individual entrepreneurs and SMEs can perceive the same reality differently and spot therefore divergent opportunities. Yet, their reality can also be tested against objective, sometimes unobservable reality. (Alvarez et al 2010; Sarasvathy et al. 2003.) Based on the empirical findings it can be assumed that each subjective reality and opportunity may be true as especially an emerging market, with its dynamics and large customer potential, provides numerous opportunities and several ways to interpret the market and create new demand. Also the different prior knowledge sets of the entrepreneurs and managers can influence them to discover and create different opportunities. With their different international backgrounds and encounters in

different networks each SME discovers and creates different opportunities. Also corresponding to theoretical findings (Sarasvathy et al. 2003) about the context of emerging markets, the SMEs often developed both the opportunity and the market at the same time. As is typical for the evolutionary realist view, also in the studied SMEs the entrepreneurs and managers did not wait for a ready-made opportunity but acted, waited for response from the environment, readjusted their business concept and acted again. Supporting earlier research findings (Gabrielsson & Gabrielsson 2013) both discovery and creation of opportunities seemed to drive growth. The learning cycle that was necessary for the opportunity development was fast and iterative. It showed that discovery and creation might also operate simultaneously. In many of the cases the opportunity was born at the same time with the creation of new, previously non-existent markets. In a few cases where the service offering was highly technical, it can be concluded that neither supply nor demand existed when the firm entered the market. However, in most cases even when the firm did not face any competition when entering the market, it confronted the competition of “non-use”. In those cases the firms needed to invest time and resources even more in convincing local partners and end-users and thus create the demand for the product/service offering. Discovery was often related to the discovery of markets; some of the firms had operated in domestic markets for some time and then discovered the potential of emerging markets. Even in these cases however a feasible market entry often required changes to the original product or business model, thus combining discovery with creation. Contradicting with earlier findings that creation would be more present in early stages and discovery in later stages of growth (Gabrielsson & Gabrielsson 2013), some of the studied firms in this research showed opposite development. A conclusion can be drawn that an initial discovery of a matching market need with the firm’s product/service, needed to be later supplemented with creation attributes. In early stages this often meant creation of networks and more localized product and marketing, in later stages creation of new market needs when knowledge competence of the local context grew. According to the case examples, higher gains are rather on the creation than pure discovery side.

In regard to the core process it can also be concluded that the firms’ iterative and innovative business concept development resembles the lean global startup approach

(Rasmussen & Tanev 2015). Despite the fact that the interviewed firms were not all technology-based and only two could be placed in the startup category, their opportunity development to emerging markets was based on an idea that every new business model framework is merely a template on the way to a higher level business model. Such an emergent nature of business models is often linked to lean startups and born globals but the results suggest that also SMEs in general could find such an iterative framework useful when developing an opportunity to emerging markets. It can be concluded that to increase the possibility of a successful opportunity development into an emerging market, SMEs could utilize some of the core aspects of lean (global) startups. These aspects include the constant, even experimenting development of the business model, being connected to networks/partnerships that allow them to quickly become an accepted local operator and give access to privileged competitive information, and the ability to choose the right internal resources and capabilities and connect them to the external resources that best complement the internal skill set.

Overall the core process of opportunity development was also relatively informal and effectual. This meant that the SMEs had to be prepared to react fast to changes and opportunities in the environment that came in front of them unexpectedly and direct their course accordingly. They thus valued an effectual opportunity development higher than a causal predetermined goal-driven strategy. The findings support presumptions drawn in the literature review (e.g. Andersson 2011; Gabrielsson & Gabrielsson 2013) that firms use effectuation in their decision-making especially in their early phases of international opportunity development. Interestingly, some firms even mentioned that looking back they should not have concentrated too much on pre-set goals and causal planning but rather enter the market as soon as possible and then start learning and growing their market competence. Possibly because of their early phases of growth, the firms did not show clear signs of moving towards more causal reasoning in their opportunity development. However as the firms' organizations and workforce grew, inter-functional planning and coordination became increasingly important.

This may be connected to the concern of staying flexible. The SMEs were concerned how to preserve the elasticity of the organization when the firm's market presence grew

and operations grew and became more complicated. The informants saw that along firm growth also their planning and internal management processes needed to develop more formal and causal. Yet in terms of their international opportunity development, the firms sought to stay flexible and somewhat effectual. All in all, context of the opportunity influenced to what degree it was possible to evaluate opportunity development in a causal manner. In a fast developing market the cause and effect – relations were sometimes difficult to verify. This is why the ability to bear risk and trust in the market value of one’s business concept was seen crucial for acting on the opportunity. The revised theoretical framework (Figure 4.) depicts the concluding stress points of the empirical findings.

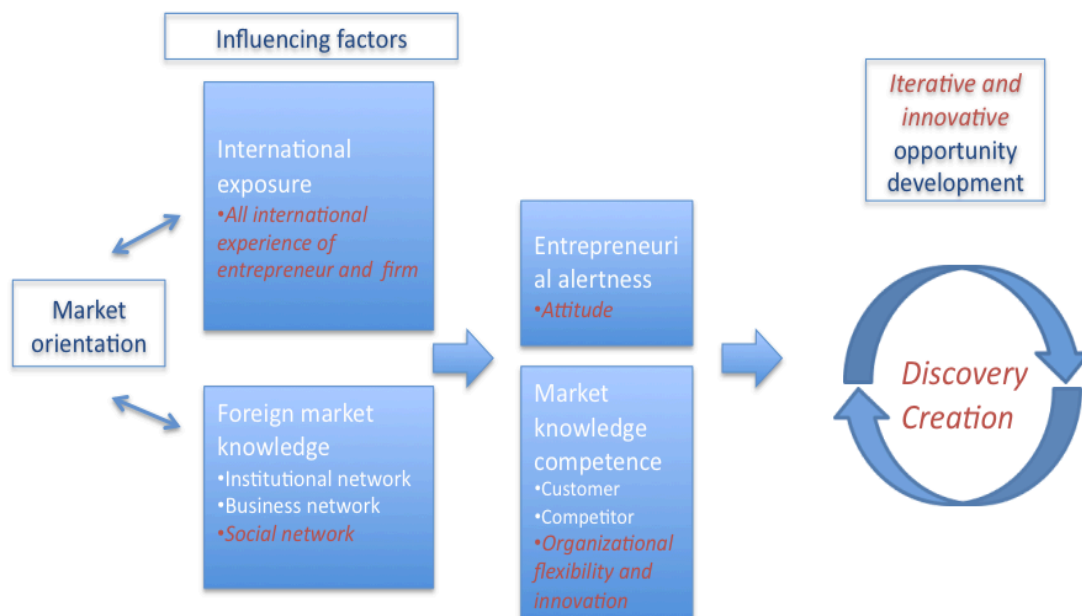


Figure 4. Revised theoretical framework for market opportunity development

As discussed in this chapter, some general changes to the original framework are made. The influential changes are marked with red in the revised framework (figure 4). As a conclusion, in terms of the influencing factors, both *international exposure* and *foreign market knowledge* growth in networks were proven essential for the international opportunity development. *All earlier international experience* seemed more important than market-specific knowledge in terms of arousing the interest and courage to start the opportunity development. In terms of the network embedded foreign market knowledge,

contacts on all levels, institutional, business, and personal were beneficial for the firms, yet *social networks* need to be emphasized. Depending on the context, the contacts that proved to be in a so-called gatekeeper role for the opportunity realization were sometimes more on the institutional or business side. Yet, looking at the chains of connections beyond the primary contact of the SMEs, it was crucial that someone in the chain had also personal connections to the right networks or persons. Social networks are underlined also because the SMEs emphasized that in comparison to their operations in developed markets, knowing locals personally also outside the business proved surprisingly beneficial for the opportunity development. In addition to the possible gatekeeper role, personal contacts provided deep understanding of the culture as well as foresight to predict market changes and stay alert in the dynamic context.

In terms of *entrepreneurial alertness* the revised framework underlines *attitude* and concludes that the alertness does not seem to be an intrinsic personality trait. Such a conclusion can however only be made with very limited qualitative sample and would need to be complemented with cognitive studies. In terms of alertness, attitude meant for example risk taking, unprejudiced mind, flexibility and patience. It could be developed through experience. Experience also increased the alertness in general. International entrepreneurial alertness seemed to grow along the firm's and entrepreneur's international growth. *Market knowledge competence* in the revised framework emphasizes the SMEs' *organizational flexibility and innovation*. This capability combines the firms' information of customers, competitors, foreign market knowledge and network assets in an innovative process that seeks to create competitive advantage. It implies that firms must combine resources in an intelligent manner to survive in the dynamic markets and keep up with the change. The main modification concerning the core process of opportunity development, is that discovery and creation are more interrelated than expected in the preliminary framework. When necessary, firms are able to change between them in an agile manner. It thus seems that rather than classifying market opportunities as a pure discovery or creation, it is justified to identify phases in SMEs opportunity development that are sometimes more on the discovery side and sometimes on creation side. Rather than being on opposite ends they can form a circle as the business model needs constant re-evaluation in the dynamic emerging

market context. In some cases the opportunity development may also be more clearly a pure discovery or a pure creation. Yet for an in-depth understanding of any market opportunity process, it is essential to step outside the limiting dichotomy view of them.

5.2. Managerial implications

Managerial implications of this research suit best those SMEs that, like the case firms, originate from SMOPEC economies and develop their market opportunity to emerging markets. First of all, it needs to be noted that strategic planning and the whole path to materializing an opportunity is highly contextual. It is affected by many matters and each opportunity formation is thus unique. When it comes to the influential factors, a strong emphasis on relationship building should not be underestimated. Especially when an SME does both have previous contacts to or in the country building one's network in various forums is an essential part of knowledge acquisition. Flexibility and innovation should be seen as influential attributes both on individual and organizational level. Promoting open innovation within the organization has proven essential for a competitive business concept development.

Although SMEs aiming to emerging markets rely more on effectual than causal reasoning it is also important to create a clear business concept right from the start and concentrate on identifying the most relevant networks and information sources. In some cases certain "gatekeepers" can be identified, who can open access to the key contacts for taking the opportunity development to further phases and closer to realization. When an SME is new to the market and lacks important knowledge related to customers, competitors or the industry, being attached to specific networks can compensate on its liability of newness and foreignness.

The target market is not controllable by the entrepreneur and thus, nor is the whole opportunity formation process. An effective opportunity development thus requires an active role of the entrepreneur and the SME combined with the acceptance of an

objective reality that causes surprises. The process seems to be very seldom linear. Especially when developing opportunities for the emerging market context, it is essential to understand that the process is often a cycle of trial and error. It may lead to, if not feasible opportunity discoveries, at least higher level learning that will be beneficial in future opportunity developments. Therefore, SMEs face the need to re-evaluate their business concept and make it more responsive to the local market as their market information and knowledge competence improve.

5.3. Limitations and future research

Like all research also this study bears limitations. Because of the qualitative nature of the study, its results cannot be generalized to the larger population without a further quantitative study. In this regard it would be interesting to measure in how many networks the SMEs are involved and what is each contact's weighted influence on knowledge increase and the opportunity development. Another limitation concerning the data sample is that although in-depth interviews with the eight SME managers/entrepreneurs provide insight to the phenomena of opportunity development, the empirical findings rely fully on the respondents' self-reported views. Although the interview questions guided the data collection, the interviewees' own mental models and rationalization of certain situations shape the way they discuss opportunities. Thus, data collected in a longitudinal study and by using other sources of data on top of the interviews might have yielded more specific results.

Further studies could also enlarge the sample by focusing on a specific industry. Although the study provided an interesting insight of opportunity development across different fields, opportunity formation in, for example, renewable energy and software industry are likely to be quite apart from each other when studied more closely. Thus, data samples that are concentrated on specific industries might provide clearer understanding on industry-specific attributes versus generalized attributes in opportunity formation. To better understand the different stages of opportunity

development, future research could benefit from a longitudinal study that concentrates on the different phases in entrepreneurs' and SMEs' opportunity development process. Study could include data collection along the whole journey, starting from initial concept development before SMEs' international market entry until the firms have established and stabilized international operations. In connection to this, because up to date most academic studies have looked at the entrepreneurial opportunity development process only after the opportunity has already been formed, it would be interesting to study SMEs knowledge acquisition process more closely before they reach the opportunity discovery/creation. Also, in terms of the emerging market context, it would be interesting to know how a different development stage of a local market economy influences and changes the use of networks and tactics in opportunity development, and whether, for example, social networks become even more important the more unpredictable and messy the institutional context is. Considering the vast market potential of emerging economies, SMEs would benefit from all further research findings that concern the dynamic opportunity development to these markets.

All in all, entrepreneurial opportunity development process is still a scarcely researched area. More research is needed to understand the basics of the opportunity development process; how SMEs see the core process and whether and in what contexts they stress creation versus discovery. It would be beneficial to also better understand hybrid business concept development where creation and discovery operate simultaneously. Although this research showed such is possible, to date there is still very limited evidence on that.

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APPENDICIES

APPENDIX 1. Interview guide

Respondent

Role in the company:

If an entrepreneur, previous experience as an entrepreneur:

Years in the company and in the industry:

International experience in years and number of countries:

Firm's general information

When was the firm established?

Can you briefly share the story behind the establishment?

When and where did you first internationalize?

When did you enter this emerging market?

Can you please briefly explain what led to entering this specific market?

Questions of market orientation

- How customer-oriented the company needed to be when developing the opportunity to this specific market as opposed to other international markets that the company has entered?

- How competitor-oriented the company needed to be when developing the opportunity to this specific market as opposed to other international markets that the company has entered?

-In your opinion, what is the role of inter-functional coordination for creating superior value for customers and staying competitor-oriented in this specific market?

- What is needed from the company to sustain the necessary level of market orientation in this specific market environment?

- Is there something you would have done differently in terms of increasing the market orientation/market intelligence when you now look back to the time of initiating this market opportunity?

Questions of the influencing factors

International exposure:

- What kind of international experience did you possess before entering this market?
- Have you been thinking of internationalization since the establishment of the firm or has the idea to internationalize come later on?
- How many years of international experience did the firm have before entering this specific market?
- In which countries did the firm operate in at the time?
- According to your estimation, what is the influence of previous international experience (individual and firm level) on entering this market?

Foreign market knowledge:

- What were the most relevant information sources for knowledge generation that made you initially consider this market as a potential target? How about when the initial idea developed further into a feasible market opportunity, what were the most relevant information sources and/or networks?
- Did you already have some contact points (business or personal) in the market when you first considered it as a prospective target market?
- What was your initial level of knowledge of the customer and competitor situation in the market and how did it develop before finally entering the market?
- How well would you estimate that you understood the institutional setting and macro environment of the target market to begin with?
- What have been your main information sources for building institutional and cultural knowledge of this specific market?
- What have been the main information sources for building knowledge of prospective customers? How about competitors?

-Have you used different knowledge channels for generating general information of the market as opposed to generating more market-specific know-how and thus competitive advantage?

Questions of entrepreneurial alertness

- Would you consider yourself as active in searching for international opportunities in general? Why or why not?
- What are the main qualities of an entrepreneur for discovering/creating an international opportunity?
- What is required from an entrepreneur for being alert to international opportunities?
- What is required on the firm-level in order to stay alert?

Questions of market knowledge competence

- What are the most critical resources and capabilities of your firm?
- What critical resources and capabilities have contributed to this specific opportunity development?
- What were the critical resources and capabilities you received from outside your firm for the opportunity development?
- How would you consider your resource and skills position in relation to competitors when you started developing the opportunity? How about when you entered the market?
- How does information develop into a firm-specific know-how and competitive advantage?

Questions of the core process

- Would you describe this opportunity development as a discovery, creation or both? Why?
- How did the specificity of emerging market context influence the opportunity development?
- How proactive or reactive do you consider your firm's opportunity development to this specific market in contrast to your firm's previous business opportunity developments?
- Have you taken more risks in entering this market than in other markets? In what ways?

-How would you estimate the importance of innovative behavior for developing this opportunity?

General questions about the business development in target market

- How many customers did you target when you entered this emerging market and how many are you serving now?

- Do you consider that the evaluation you initially made about the opportunity was correct and in which ways?

- How has your understanding of the market opportunity changed after entering the market? What have been the main influencing factors for the change/development of understanding?