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Entrepreneurial networking

Intended and unintended processes

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Entrepreneurial networking: Intended and unintended processes

Keywords: entrepreneurial networking; effectuation; international entrepreneurship;
Russia; Finland.

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1 INTRODUCTION

Network approach has been acknowledged as an established and influential theoretical perspective in both Entrepreneurship (Slotte-Kock and Coviello, 2010; Anderson, Dodd and Jack, 2010) and International Entrepreneurship (IE) (Hinttu, Forsman and Kock, 2004; Jones, Coviello and Tang, 2011). According to Hoang and Antoncic (2003: 167), network research in the area of Entrepreneurship has been developing for approximately two decades. In this area, numerous studies show that various relations, social and business, formal and informal, provide an access to tangible and intangible resources and, thus, facilitate new venture growth (e.g., Hansen, 1995; Anderson and Jack, 2002; Lechner and Dowling, 2003). Coviello and Cox (2006) view entrepreneurial relations as both resources in themselves and as an important instrument for acquiring other resources. Nijkamp (2003: 401) stipulates that an entrepreneurial ‘hero’ can be mainly described as a ‘network hero’ because new venture growth can be problematic if the firm relies only upon internal resources and does not build external relations.

This interest in network relations has also penetrated into the area of International Entrepreneurship. Moreover, the network approach turned out to be the most appropriate to explain the phenomenon of rapidly internationalizing SMEs (Mtigwe, 2006: 15). Network relations enable small firms more rapidly to obtain valuable market information and knowledge, which otherwise would be more incremental and costly (Chetty and Campbell-Hunt, 2003a). Also, scholars in this area demonstrate the widespread evidence that involvement in different networks help internationalizing entrepreneurial firms to obtain different resources and overcome liabilities of foreignness (e.g., Coviello and Munro, 1997; Etemad and Lee, 2003; Jones and Coviello, 2005; Manolova, Manev and Gyoshev, 2010). Theoretically, from the network perspective, internationalization is nothing but “a general expansion of a business firm” (Johanson and Vahlne, 2003: 93) because entry barriers are not associated with country specific borders but are related to new contacts establishment and their exploitation. Also, the focal shift towards greater importance of network position and relationship commitments in the revisited Uppsala model has made it applicable to companies of various sizes (Johanson and Vahlne, 2009: 1425). Hence, this model can be employed to explain such IE phenomena as International New Ventures (Oviatt and McDougal, 1994) or Born Globals (Madsen and Servais, 1997).

1.1. Problem area of the research

The problem area of the present research can be defined by two aspects:

1.1.1. *Lack of understanding of entrepreneurial networking as a process*

Despite the wide application of the network approach in Entrepreneurship and IE, it has been criticized for focusing mainly on the static aspects of networks, content of relations, their governance, and structures (Hoang and Antoncic, 2003). This focus limits the understanding of entrepreneurial networks because they are seen as an objectively given reality that comes into being and changes without the participation of entrepreneurs (Sarasvathy and Venkataraman, 2011: 126). However, before entrepreneurs can start using their network relations for business purposes, these relations should be initiated and become workable. This aspect of *networking* as an active process of relationship establishment undertaken by an entrepreneur or a team of entrepreneurs has attracted little research attention (O’Donnell et al., 2001: 755; Jack, 2010). Therefore, the question of how entrepreneurial networks emerge and dynamically change over time is left without a proper answer (Hoang and Antoncic, 2003; Venkataraman et al., 2012: 29). Scholars see a solution

for overcoming these drawbacks in conducting more process oriented and qualitative research (Hoang and Antoncic, 2003; Parkhe, Wasserman and Ralston, 2006: 563; Jack, 2010).

Slotte-Kock and Coviello (2010: 32) also agree that entrepreneurship research of networks does not clearly define the concept of process and interpret the dynamic side of the relationship development. The authors assess the extant studies in this area and identify the following trends. First, following Van de Ven and Poole's (1995) four definitions of the process, they argue that entrepreneurship research on networks mainly applies life-cycle theories and understands process as a sequence of events; thus, an understanding of the process from teleological, dialectic, and evolutionary theory is neglected. Second, they show that entrepreneurial network processes have been studied either from the social network approach or from the business network approach but not from an integrative perspective. Third, entrepreneurial networks have been mainly examined as an independent variable but not as a developmental outcome of entrepreneurs' activities. In order to advance the research area, Slotte-Kock and Coviello (2010) suggest addressing the wider contexts of entrepreneurial network processes and to study it also from different process theories. In addition, social and business network approaches should be integrated in order to capture both the structures of networks and interactions between actors. Finally, to understand entrepreneurial networks as outcomes of entrepreneurial actions, the authors provide a conceptual model of network development (p. 50) that intends to answer the questions "What network develops?", "How and why does the network develop?", and "What occurs over time with the network?"

1.1.2. Lack of understanding of unintended entrepreneurial networking

The network approach in Entrepreneurship and IE has been developing in parallel with Business Network and Strategic Network theories and is influenced by them both. The dominating resource-based view (Penrose, 1959) in these two theories assumes that network relations provide an access to various resources and thus affect firm's performance and strategy (Håkansson and Ford, 2002; Jarillo, 1995; Grandori and Soda, 1995). From this perspective, inter-organizational network relations are seen as relatively stable and structured entities that can be influenced and managed to a certain extent (Johanson and Mattsson, 1994; Håkansson and Snehota, 2006). Therefore, these relations are established in response to the defined resource needs and goals of a new venture and objective information on existing market structures. However, other studies demonstrate that relations formed without a strategic goal can also be very important for the networking process.

Networking strategies that are not driven by strategic intent have been interesting researchers for decades. For example, International Business (IB) literature shows the lack of strategic intent in networking and unpredictable components of relationship establishment during internationalization. Thus, Axelsson and Johanson (1992: 231) maintain that the process of penetrating a foreign network cannot be planned and controlled by one firm because it supposes transactions and interactions between actors, and each interaction occurs in a unique and new situation. Opacity is a constantly present characteristic of networking activities because the existing relations are not always comprehended even by actors involved in them, and for outsiders and newcomers they can be even more fluid and unclear. Likewise, Welch and Welch (1996) propose that networking during the internationalization process is influenced by intended and unintended components of relationship establishment. The intended component implies purposeful creation of business contacts with a certain goal in mind. Instead, the unintended component relates to the appearance of unexpected connections that evolve without a clear intention. These intangible and unseen parts of a network are termed "strategic blind spots"

(p. 21); they are strategically important, yet not recognized parts of entrepreneurial potential. Hence, it is very complicated to include network development activities in a planning system because they occur in an unintended way and may have unexpected outcomes.

The interest in this research continues in the area of IE. For instance, the unplanned aspect of developing new network relations is also confirmed by the study of Harris and Wheeler (2005) who show that, during the internationalization process, entrepreneurs do not employ planned networking strategies of establishing relations with certain actors; rather, business relations develop from spontaneous social interactions. Other studies demonstrate that the internationalization process can be non-rational and lack strategic reasoning (e.g., Lee and Brasch, 1978; Brown and Cook, 1990), and it is especially the relationship component that makes it so (Ellis, 2000; Ellis and Pecotich, 2001). For instance, Chetty and Agndal (2007) call it a serendipity role of social capital. This non-rationality is particularly true for internationalizing SMEs that heavily rely on networks because they do not have resources to conduct extensive market research, and for the context of turbulent emerging economies where market and business network structures are constantly changing or are not even present. Ellis (2000) terms this internationalization “random”, “opportunistic”, “non-systematic”, or “ad-hoc”. Meyer and Skak (2002), in turn, suggest that sometimes internationalization can happen by “chance”, “serendipity”, or “coincidence”. While acknowledging its existence, they do not go deeper in search of explanations for it.

1.2. Research aim

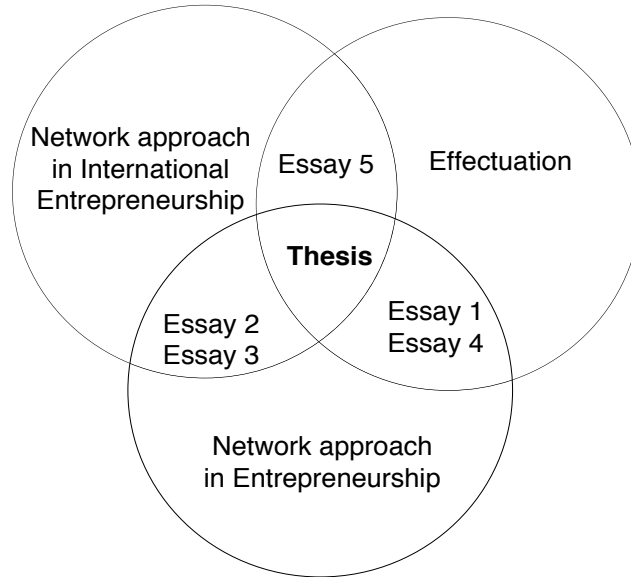
Against the abovementioned research deficiencies, the ultimate goal of this thesis is to study the intended and unintended aspects of the process of entrepreneurial networking. In this research, unintended entrepreneurial networking is understood through the lens of Sarasvathy’s (2001; 2008) theory of effectuation, which represents a logic of reasoning opposite to causation or goal driven action based on predictive rationality. This thesis is based upon the collection of five essays, with each of them having a specific sub-purpose for fulfilling the overall research goal:

- Essay 1 defines entrepreneurial networks formed without a strategic intent as effectual networks and aims to conceptualize them through distinction from other types of network in order to show their discrete nature.
- Essay 2 views entrepreneurial network creation as an intended and purposeful activity opposed to network evolution, and explores the process undertaken by a team of new venture founders using their formal and informal relations.
- Essay 3 explores how entrepreneurial infrastructure influences the process of establishing new business contacts that are purposefully formed by teams of new venture founders.
- Essay 4 explores how causation and effectuation are balanced in the process of entrepreneurial networking.
- Essay 5 applies effectuation logic as a new lens to examine how SMEs employ networks during their internationalization.

1.3. Positioning of the thesis and the intended contributions

The present dissertation stands at the intersection of three developing research areas; namely, network approach in Entrepreneurship, network approach in International Entrepreneurship, and effectuation (Figure 1).

Figure 1 Positioning of the thesis



The empirical Essays 2 and 3 pay major attention to the networking activities of founding teams, which falls within the realm of Network approach in Entrepreneurship. However, comparison between Russian and Finnish contexts also facilitates relating these studies to the International Entrepreneurship field (Jones, Coviello and Tang, 2011). Further, Essays 1 and 4 incorporate effectuation theory into entrepreneurial networking. Finally, Essay 5 intersects the network approach in IE and effectuation theory by examining how internationalizing SMEs network effectually.

Each of these three fields represents developing but influential areas of scholarship in their own right; however, their intersection and cross-fertilization enables the exploration of new features in this process. While the central focus of this thesis is on the entrepreneurial networking process, studying this phenomenon in the context of IE and through the lens of effectuation theory identifies advantageous directions for research advancement. The present dissertation has an ambition to provide contributions in the three areas.

First, this research intends to make a **theoretical contribution** by responding to the abovementioned calls for the study of entrepreneurial networks from the process based view and through theory building qualitative methods. Focusing on the process is achieved by shifting the attention from entrepreneurial *networks* towards entrepreneurial *networking*. In addition, intersecting different research fields is an important method of creative theory building (Colquitt and Zapata-Phelan, 2007; Zahra and Newey, 2009). Thus, the conceptual Essay 1 develops a theoretical contribution by intersecting the network approach in entrepreneurship and the theory of effectuation, and developing the concept of effectual networks. It may be argued that Essay 1 does not consider effectual networking as it focuses on effectual networks. However, a closer look at the definition of effectual networks

emphasizes their processual nature; they can be understood not through the structures comprising them but, rather, through the process of how they come into being. Further, Essay 2 contributes to the understanding of entrepreneurial networking by exploring the intended and purposeful process of the network creation, distinguishing several stages in it, and linking these stages with the resource needs of new ventures. Essay 3 also provides a better understanding of purposeful entrepreneurial networking by linking this micro-level process with macro-level entrepreneurial infrastructure. Later, Essay 4 contributes both to the network approach in entrepreneurship and the effectuation theory by exploring how the intended causal networking of entrepreneurs is balanced with unintended effectual networking. Finally, Essay 5 develops theoretical contribution to IE by bringing the principles of effectuation theory into it, and thus makes an effort to explain the networking activities of internationalizing SMEs.

Second, this thesis intends to propose an **empirical contribution** mainly through the studies presented in Essays 2 and 3. They compare the entrepreneurial networking process in founding teams from Russia and Finland. To the best of the author's knowledge there have been no studies focusing specifically on entrepreneurial networking in these two national contexts. For instance, Finnish entrepreneurship is mainly mentioned in a more general Scandinavian context (Johannisson and Mønsted, 1997). Also, it is attention to the national contexts in Essay 3 that enables discussion regarding the phenomenon of entrepreneurial infrastructure influencing entrepreneurial networking.

Third, this research intends to provide some **methodological implications**. On one hand, these implications can be suggested because of my Russian origins and native language skills, which provide a good basis for studying entrepreneurial networking in this country of transition and informal economy. On the other hand, my experience of being an English speaking foreign researcher in Finland also enables the provision of some advice on choosing methodological strategies for scholars in the same context. Overall, this thesis aims to respond to calls for the study of entrepreneurial networks from the process perspective (Hoang and Antoncic, 2003; Parkhe, Wasserman and Ralston, 2006: 563; Jack, 2010). Also, Essays 2, 3, and 5 respond to appeals to conduct more qualitative research in IE (e.g., Coviello and Jones, 2004; Nummela and Welch, 2006).

A more detailed evaluation of the achieved contributions of this dissertation and the resulting implications for further research and practice are presented in Section 5.

1.4. Research process

In retrospect, my research interest in entrepreneurial networking is the natural outcome of my previous studies during a Bachelor programme in Sociology at St-Petersburg State University, Russia, and a Master's degree programme in Strategic Entrepreneurship at Hanken School of Economics, Finland. In accordance with the focus of my Master thesis, when I started my doctoral studies I was determined to continue with the topic of entrepreneurial relations and the methods of their establishment. Instead of starting by examining some new areas, I decided to gain a deeper understanding in this field. In parallel with taking doctoral courses and gaining more theoretical knowledge on entrepreneurial networks, I used my empirical data collected during the summer 2007 and wrote two papers that were presented at several conferences and later published. They are represented by Essays 2 and 3 in the present dissertation.

Working on Essays 2 and 3, which focus on purposeful relationship establishment, I observed that in many instances entrepreneurial networking is not goal driven. Many respondents mentioned unpurposeful relations and spontaneous contacts that later became important business relations. This phenomenon caught my attention, and I started to find an

explanation in the extant literature. This occurred at the time of taking major theoretical courses when I became aware of the article by Sarasvathy (2001) on effectuation and non-predictive logic of entrepreneurial reasoning. Also, some time later I took a course during which S. Sarasvathy gave a lecture on effectuation and, after a personal conversation with her, I came up with the idea that effectuation theory has the potential to serve as an alternative logic of entrepreneurial networking and could explain its unintended aspect.

With this in mind, I began a long journey into the whole body of effectuation literature and tried to discover everything relating to entrepreneurial relations. Furthermore, I contrasted my findings with existing network theories – business network theory and its strategic network view, social network theory, and network approach in entrepreneurship. Coping with the array of network literature and trying to systemize, classify, and group different works in the whole field of network research was a considerable task. However, as a result, I developed a conceptual paper that is Essay 1 in this dissertation. This conceptual paper became the basis for the empirical Essays 4 and 5. The interview guides for these two studies were developed in parallel with the conceptual work, and the data were collected during February-May 2010.

Due to maternity leave there was a break in research from May 2010 until March 2011, when research work resumed with interview transcriptions and further data analysis. Data analysis and work on Essays 4 and 5 continued during my research visit to Massey University, New Zealand from July 2011 until January 2012. During 2012, earlier versions of Essays 4 and 5 were presented at research seminars and conferences, and also went through the rounds of submission to some journals. Finally, they have been shaped into the form presented in this thesis. As one can notice, my research process has not been straight forward one. I had several stages of data collection and also went back and forth between the data to the theories during my analysis. Hence, this thesis as a whole has developed more as a constant interaction between theory and data, which is called abduction. More specifically this approach will be covered in the methodological section 3.

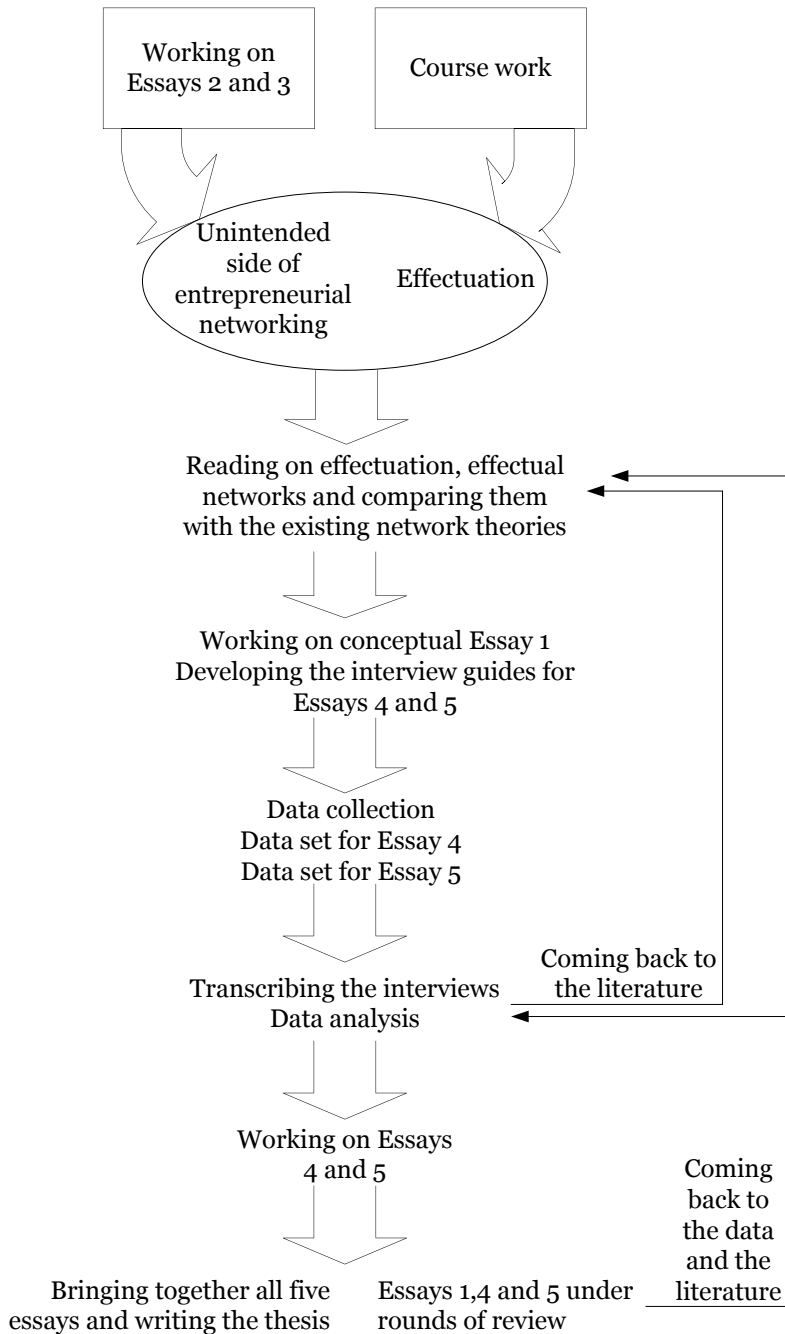
Being aware that sometimes it can be challenging to put different essays into one dissertation, I started to think of my thesis as one piece of work quite early in the research process (see Figure 2). Probably, it was at the very beginning of doctoral studies that thought to focus on entrepreneurial networking as a central topic. As a result, writing this thesis has been a process made relatively simpler by the voluminous work undertaken earlier.

The doctoral studies and the research process have definitely shaped me as a researcher. Perhaps, this is visible through comparison of the writing styles and argumentation in Essays 2 and 3, which were completed at the beginning of the process, with Essays 1, 4, and 5 that were finalized much later after finishing all theoretical and methodological courses, obtaining experience of debating arguments at conferences and research seminars, and getting several rejections from the journals.

In this regard, I should particularly mention that experiencing submission processes to journals and handling rounds of review had a special influence on my development. I have learnt to see my work through the eyes of a potential reviewer, specifically justifying every minor step of the study and trying to foresee a reviewer's comments and criticisms. Although in some cases I had to tell the 'story' not the way I wanted to tell it but in the way it was expected to be told, it was a lesson in learning the 'getting-published game' rules.

As Figure 2 shows, the essays are placed in this thesis not in the chronological order in which they were written but following the logic of the dissertation where the empirical papers follow the conceptual work.

Figure 2 The Research Process



1.5. Key concepts

This thesis uses several key terms, which are briefly defined below and discussed more thoroughly in the respective theoretical subsections.

Entrepreneurial network is defined as “the sum total of relationships in which an entrepreneur participates, and which provide an important resource for his or her activities” (Dodd and Patra, 2002: 117).

Entrepreneurial networking is understood as the actual process of relationships establishment and maintenance, and underlines the dynamic side of their formation undertaken by the focal actor (Shaw and Conway, 2000; Johannisson, 2000).

Process is understood from the life-cycle theory, which “depicts the process of change in an entity as progressing through a necessary sequence of stages. An institutional, natural, or logical program prescribes the specific contents of these stages” (Van de Ven and Poole, 1995: 520).

Causation is logic of reasoning and acting that takes “a particular effect as given” and then focuses on “selecting between means to create that effect” (Sarasvathy, 2001: 245).

Effectuation is logic of reasoning and acting that takes “a set of means as given” and then focuses on “selecting between possible effects that can be created with that set of means” (Sarasvathy, 2001: 245).

1.6. Structure of the thesis

This thesis comprises five sections. The first section starts with an introduction to the research area, research problem, and the general aim of the whole thesis. The introductory section also explains the position of this research. Further, the theoretical section outlines the main theories and concepts used in this dissertation. Later, the methodological section describes the philosophical commitments underlying this research and shows how its empirical course was developed. Next, the results from the studies included in the thesis are presented in the final section. Finally, the last section provides the main conclusions and contributions of the research, and shows its further directions.

The collection of five essays included into this thesis is presented in Appendices. Each essay is presented in the same format as it has been published or was accepted for a conference or a workshop (see Table 1). Essay 1 was presented at the 22nd Nordic Workshop on Interorganizational Research in Trondheim, Norway, in 2012. Essay 2 is published in 2008 as a book chapter in ‘Perspectives on Marketing’ edited by J. Larimo and A. Huuhka. Essay 3 was published in 2011 in International Journal of Entrepreneurship and Small Business. Essay 4 was presented at the 22nd Nordic Workshop on Interorganizational Research in Trondheim, Norway, in 2012. The earlier version of Essay 5 was presented as a competitive paper on the 2012 Academy of International Business Annual meeting in Washington DC, USA; its revised version that appears in this thesis was presented on the 15th McGill International Entrepreneurship Conference in Pavia, Italy.

Table 1 Essays included in the thesis

	Essay 1	Essay 2	Essay 3	Essay 4	Essay 5
Title	Entrepreneurial network creation: Using formal and informal relations of entrepreneurial team members in Russia and Finland.	The influence of entrepreneurial infrastructure on entrepreneur networking: a comparative case study of Russian and Finnish founding teams.	Effectual networks: Conceptualization and identifying the position in organizational network research.	Balancing the opposites: Causation and effectuation in the process of entrepreneurial networking.	Effectuation and the revisited Uppsala model: networking of internationalizing SMEs.
Publication	2008, Larimo, J. & Huuhka, A. (eds.), <i>Perspectives on Marketing</i> . Vaasan Yliopiston Julkaisuja, Vaasa, pp. 267-294.	2011, International Journal of Entrepreneurship and Small Business 13(3), 238-254.	Proceedings of the 22 nd Nordic Workshop on Inter-organizational Research	Proceedings of the 22 nd Nordic Workshop on Inter-organizational Research	Proceedings of the 15 th McGill International Entrepreneurship Conference
Authors	Kock, S. and Galkina, T.	Galkina, T. and Kock, S.	Galkina, T.	Galkina, T.	Galkina, T. and Chetty, S.
Own contribution	90%	90%	100%	100%	60%
Aim	To explore the entrepreneurial network creation process (as opposed to evolution) undertaken by a team of new venture founders by using their formal and informal relations.	To explore how entrepreneurial infrastructure influences the process of establishing new business relations purposefully undertaken by new venture founding teams.	To conceptualize and distinguish an effectual networks from other types of network relations in order to show their discrete nature.	To apply the logic of effectuation on entrepreneurial networking in order to explore how entrepreneurial relations form without strategic purpose, and what factors affect this process.	To employ effectuation logic as a new lens to look at networking of SMEs during their internationalization.
Area of research	Entrepreneurial networking; International entrepreneurship	Entrepreneurial networking; International entrepreneurship	Effectuation; Entrepreneurial networking	Effectuation; Entrepreneurial networking	Effectuation ; Entrepreneurial networking ; International Entrepreneurship
Method	Comparative multiple-case study	Comparative multiple-case study	Conceptual	Multiple-case study	Multiple-case study
Dataset	Three Russian and four Finnish entrepreneurial firms	Three Russian and four Finnish entrepreneurial firms	Analysis of the literature	Seven domestic entrepreneurial firms from Finland	Nine SMEs from Finland with international operations

2 THEORETICAL BACKGROUND

2.1. Understanding network

The body of network research represents very diverse streams and approaches; therefore, it is rather complicated to find a single definition of networks that can be used universally in all contexts (O'Donnell et al., 2001). In the interaction approach developed within international marketing and purchasing research project (Håkansson, 1982), business network can be defined as “a set of two or more connected business relationships, in which each exchange relationship is between business firms that are conceptualized as collective actors” (Anderson, Håkansson and Johanson, 1994: 2). Håkansson and Ford (2002: 133) define business network as a form of organizational structure where nodes of business units are connected by threads; the nodes are represented by suppliers and buyers, and threads are the specific relations of resource exchange between them. Within this tradition, network relations are mainly analysed at interfirm level (Grandori and Soda, 1995: 201) and viewed as virtually borderless entities (Johanson and Mattsson, 1994; Håkansson and Snehota, 1995).

Social network research tradition defines social network as “any collection of actors ($N \geq 2$) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange” (Podolny and Page, 1998: 59). Commonly, the actors in social networks are seen as individuals from the interpersonal perspective (Grandori and Soda, 1995: 199). Wasserman and Faust (1994: 20) also emphasize that social networks have boundaries due to the analytical restriction to consider a finite set of actors in a network.

Understanding of network relations applied in this thesis belongs to the entrepreneurial network research stream, which is different from the other network approaches described above. Within entrepreneurship research, entrepreneurial network is defined as “the sum total of relationships in which an entrepreneur participates, and which provide an important resource for his or her activities” (Dodd and Patra, 2002: 117). This definition accepts that entrepreneurial relations can be viewed from both inter-personal and inter-organizational perspectives and can include both individuals and firms. This can be explained by the fact that entrepreneurial network approach has been influenced by two research traditions, namely business network studies and social network studies (Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010). The former perspective views entrepreneurial networks as networks of small firms; the latter perspective views entrepreneurial networks as egocentric webs of entrepreneur's personal relations with other individuals and organizations that support venturing activities (Slotte-Kock, 2009). Thus, both an entrepreneur and an entrepreneurial firm can be the key perspectives in the network analysis because their networks can overlap (Hite and Hesterly, 2001). This dual perspective has also affected the choice for the unit of analysis made in the essays included into this thesis (see Subsection 3.6.5).

2.2. Network versus networking, structure versus process

As the title of this thesis shows, one of the keywords used in this work is ‘networking’. Following the advice of Steyaert (1998: 17), this is enacted to concretize the process by using process language. However, this is not just a change of vocabulary from the more commonly used term of ‘network’. The aim of this subsection is to justify the choice of terminology used by outlining the meanings behind the two concepts.

The notions of ‘*network*’ and ‘*networking*’ are closely connected but have to be distinguished because of the different nature of these two concepts (Shaw, 1997; O’Donnell et al., 2001: 755; Hoang and Antoncic, 2003; Jack, 2010). The network in general relates to “a set of nodes and the set of ties representing some relationship, or lack of relationship, between nodes” (Brass et al., 2004: 795) and focuses on repeated patterns of relations and their relatively stable holistic structure (Wasserman and Faust, 1994: 3). Thus, the word ‘structure’ is the key to understanding networks; it relates to “the arrangement of and relations between the parts or elements of something complex” (Oxford on-line dictionary, 2012). The emphasis here is on a snap-shot static picture of a system and its elements.

Conversely, the key to understanding networking is the notion of process. Therefore, networking implies the actual process of relationships’ establishment and maintenance, and underlines the dynamic side of their formation undertaken by the focal actor (Shaw and Conway, 2000; Johannisson, 2000). In the entrepreneurial context, the focal actor is an entrepreneur who develops relations for entrepreneurial needs. Hence, networking pays attention to an individual’s behaviour and abilities to establish relations (Neergaard, 2005: 259). The separation of the concepts of networks and networking is important for the conceptual development of network research. While structural and functional attributes of networks have been largely studied, the dynamic characteristics and temporal aspects of “the real process of networking” require more research attention (Street and Cameron, 2007: 254; Jack, Drakapoulou Dodd and Anderson, 2008: 126; Jack et al., 2010: 131; Zaheer, Gözübüyük and Milanov, 2010: 72).

Because this thesis takes the process based view and focus on networking, it is important to specify the understanding of the process concept adopted. Van de Ven and Poole (1995) state that process can be explained from the point of view of four different theories: life-cycle, teleology, dialectics, and evolution. First, the *life-cycle theory* sees the process as an imminent one; “the developing entity has within it an underlying form, logic, program, or code that regulates the process of change and moves the entity from a given point of departure toward a subsequent end that is prefigured in the present state” (p. 515). In the life-cycle process, the progression is sequential, cumulative, and conjunctive, the order of stages is prescribed, and the final state is prefigured. Second, the *teleological theory* states that “development of an organizational entity proceeds toward a goal or an end state. It assumes that the entity is purposeful and adaptive; by itself or in interaction with others, the entity constructs an envisioned end state, takes action to reach it, and monitors the process” (p. 516). In teleological process, the sequence of events and the trajectory of the development are not prescribed. Third, the *dialectical theory* explains the process by balances or struggles between oppositions. Stability occurs when the oppositions reach status quo; change, in turn, occurs when the oppositions are in conflict. Fourth, the *evolutionary theory* views the process as “a recurrent, cumulative, and probabilistic progression of variation, selection, and retention of organizational entities” (p. 518). Novel forms of entities emerge through numerous variations that can happen by chance; further, the environment selects the best entities that compete for scarce resources.

Life-cycle theory is the most commonly applied in management studies to explain the process (Van de Ven and Poole, 1995). Here, the author also views the process of entrepreneurial networking through this theory. Although it has been criticised for being too deterministic (Slotte-Kock and Coviello, 2010), it fits this research for several reasons.

First, it is consistent with the other theories and models employed in this thesis. For instance, effectuation theory used in Essays 1, 4, and 5 is also a life-cycle type of process theory. The model of effectuation process (Read et al., 2009: 4) shows the phases of effectuation process. Entrepreneurs start from the given means, and then they see what they can do with them, later they interact with various stakeholders and form the chain of interactive commitments, which leads to new means. Thus, the effectuation cycle closes and

another one begins. Effectuation process cannot be classified as a teleological one because, by definition, it is not driven by a predefined goal. It also cannot be regarded as dialectical or evolutionary because these imply multiple entities for the process to unfold (Van de Ven and Poole, 1995: 521). Effectuation process operates on a single entity, which is an entrepreneur. Although the external environment in the form of various stakeholders is crucial, it is an entrepreneur who possesses a set of means and who selects the possible effects that can be created with these means.

In Essay 2, the life-cycle view on the process is also consistent with the model of entrepreneurial process applied by Coviello and Cox (2006). Thus, the study links the three phases of entrepreneurial networking – activation of existing contacts, purposeful creation of new contacts, and evolution of an entrepreneurial network, with the phases of the entrepreneurial process – conception, commercialization, and growth.

Second, viewing the process as a sequence of events is consistent with the data collection techniques applied in this thesis. In order to capture entrepreneurial network dynamics, I conducted event based studies, as recommended by Halinen and Törnroos (2005). This means that the conducted interviews focused on certain sequential events of new venture development (for more details on data collection see Subsection 3.5.).

2.3. Network approach in Entrepreneurship

According to Jack (2010), the network research in Entrepreneurship can be divided into two streams. The first stream to a great extent builds on the resource-based view and examines how various tangible and intangible resources obtained through social and business relations of entrepreneurs facilitate new venture formation and growth (see e.g., Aldrich and Zimmer, 1986; Nijkamp, 2003; Witt, 2004). Within this stream, the research by Lechner and Dowling (2003) indicates that successful growth of new business only through utilizing internal resources is impossible; therefore, building external contacts is vital for the survival of a firm. Their study also shows that the relational mix of new ventures changes along the development process. Thus, the importance of social and reputational networks decreases as the venture matures; however, the use of cooperation networks tends to be more intensive. Similarly, Greve and Salaff (2003) underline the role of kin networks at the early stages of business establishment when entrepreneurs plan and discuss their future ventures. Another study by Starr and Macmillan (1990) demonstrates that social contracting aids resource acquisition and helps to avoid constraints on new ventures; the authors term this mechanism resource cooptation. They also emphasize that the relationships of friendship, liking, trust, obligation, and gratitude represent a highly valuable asset for business startups. The research conducted by Hansen (1995) shows that the size of entrepreneurs' networks, the degree of network inter-connectivity, and the frequency of communication among entrepreneurs and their partners positively affect new organization growth. Likewise, Ostgaard and Birley (1996) argue that social, professional, and global networks of entrepreneurs positively impact startup development. With this in mind, Anderson and Jack (2002) state that the social capital of entrepreneurs serves two functions: on the one hand, it is the 'glue' that strengthens the network structure, on the other, it is a 'lubricant' that assists processes and operations within the network.

Ties and connections represent a meta-resource as such, through which other resources can be obtained. For instance, Neergaard (2005) indicates that entrepreneurial networks enable possession of financial resources and the raising of risk capital, especially after the first year of operations when funds from first-round investors have already been deployed. Likewise, the study by Shane and Cable (2002) maintains that direct and indirect ties within entrepreneurial networks and recommendations influence the investment decisions of

venture capitalists and bankers to support new ventures. Similarly, Jenssen and Koenig (2002) show that both strong and weak ties are important for generating startup funds.

In addition, entrepreneurial networks become an efficient source of human capital and are commonly employed as a recruitment alternative. New ventures usually lack organizational reputation and resources for running a separate recruitment department, and have a high level of uncertainty with regard to their personnel strategy; in these conditions, recruitment through networks is a more secure way to attain personnel 'fit' (Neergaard, 2005; Leung et al., 2006).

Also, new knowledge and relevant assistance in opportunity recognition can be obtained through network connections because they function as forums where participants share feedback on different projects and obtain new ideas for innovative solutions (Elfring and Hulsink, 2003; Wincent and Westerberg, 2005). The more network connections a company has and the more each distinct relation is involved in network, the more the company can learn from them (Håkansson, Havila and Pedersen, 1999; Neergaard, 2005).

Similarly, new customers and outlets are obtained through the connections of entrepreneurs. The main mechanism of finding customers through networks is the reputation effect that is, for example, spread by word of mouth, public activities, and participating in business events. However, this mechanism should be reinforced by maintaining relationships from a long-term perspective and building strong-tie contacts (Neergaard, 2005).

Besides the beneficial impact of networks on newly established companies, several authors show their negative influence. The demerit of network involvement is described by Uzzi (1997) who terms it 'the paradox of embeddedness'. The same mechanism that gives access to various benefits, in fact, reduces a firm's ability to adaptation, and decreases diversity and opportunity recognition. Deep involvement with network relations makes companies vulnerable to unexpected changes in markets; in the event of the sudden exit of a core member, other actors may lose an important resource flow if they do not have contacts outside the network. Overembeddedness may also lead to the problem of free-riding, which rests on the expectations of reciprocal exchange obligations of friendship. Also, Håkansson and Ford (2002) state that network actors are not free in their actions because networks set limitations on introducing new actors and trying to control other existing members.

The second stream of network research in Entrepreneurship adheres to the process view and looks at the dynamic aspect and evolution of network relations during the stages of new venture development (Jack, 2010; Slotte-Kock and Coviello, 2010). From this perspective, entrepreneurial networks form through several stages, which indicate their changing and developing nature. For example, Larson and Starr (1993) state that relations of a new business evolve from relatively simple dyadic exchanges toward more complex multidimensional relations. The authors suggest that as a new business emerges, the 'crystallization' of its network occurs through three successive stages – focusing on the essential dyads, converting dyadic ties to socioeconomic exchanges, and layering exchanges with multiple exchange processes.

Another study by Hite and Hesterly (2001) suggests that network relations of emerging firms change depending on their resource needs. They argue that as a venture moves from emergence to early-growth phase, the network relations develop from identity based strong ties to calculative relations that are weaker and less redundant and, therefore, more likely to provide a wider range of resources. In addition, when compared to path-dependent and uncontrolled relations at the emergence stage, their study shows that entrepreneurial networks become more strategic and manageable as a business grows.

In line with this research, Butler and Hansen (1991) argue that an entrepreneurial network develops during the entrepreneurial or pre-startup phase characterised by strong social

informal dependencies that provide an entrepreneur with both tangible and intangible resources. When a new business reaches its startup phase, an entrepreneurial network becomes a business focused network that relates to emerging business relations with customers, buyers, and suppliers. This network gradually changes to a more formal strategic network, which is typical for the ongoing business phase. Similarly, Evald, Klyver and Svendsen (2006) have found that at the emergence phase weak ties with family and friends are of higher importance; whereas at the phases of newly established firm and mature firm the mix between strong and weak ties is essential. The weak component in this mix is, however, different at the former phase as it does not simply include new business contacts but comprises close business contacts and one-off deal business contacts.

When first-round relations cannot facilitate a new business, the firm needs to look for a new partnership. Larson (1991) proposes a two-stage model of partner network formation. She points out that this process starts from primarily economic exchanges between members because relations do not have history; during the initial trial period companies obtain information about their capabilities, establish the rules of relations, and build their reputation. The next period of integration is characterized by more frequent communication, intention to improve relations, and more informal sharing. Therefore, a network is built through adaptation, achieving interdependency, distinction of competences, and the establishment of trustful long-term relations.

Despite the studies on entrepreneurial network processes mentioned above, it has been acknowledged that network research in entrepreneurship still lacks an understanding of relationship emergence and dynamics (Jack et al., 2010; Anderson, Drakapoulou Dodd and Jack, 2010; Jack, Drakapoulou Dodd and Anderson, 2008). For instance, the review paper by Slotte-Kock and Coviello (2010: 34) identifies only six empirical articles related to this topic. Also, Jack (2010: 120) says that scholars still need to develop more understanding on “...what really goes on in the networks; the processes involved; how networks evolve, change, and develop over time.”

2.4. Network approach in International Entrepreneurship

The understanding of the internationalization process of small entrepreneurial firms has been to a great extent developed by the network approach (Young, Dimitratos and Dana, 2003: 33; Fletcher, 2004; Oviatt and McDougall, 2005; Jones and Coviello, 2005; Mort and Weerawardena, 2006: 558). This approach has come to IE from International Business studies that have turned their focus towards social and industrial networks, and from the entrepreneurship literature that is increasingly concerned with the role of an entrepreneur as a member and manager of network relations (Jones and Coviello, 2005). The network approach to foreign market entry differs from the received studies on foreign expansion.

According to Blankenburg Holm (1995), the traditional view on internationalization is more concerned with decision making at top management level rather than with the implementation of their decisions. Received theories mainly focus on entry mode selection and entry decision making, while a network approach focuses on the character and number of business relations, and indicates the importance of their coordination and development and building cooperative relations with network actors (Holm, Eriksson and Johanson, 1996; Hadley and Wilson, 2003). From the network perspective, firms do not decide on entry modes but select entry nodes, which represent “establishment points in a foreign market network” and connect expanding firms with customers and suppliers, directly or indirectly (Jansson and Sandberg, 2008: 67). Therefore, a firm’s resources are more a matter of inter-firm interactions than intra-firm characteristics (Hadley and Wilson, 2003). From the network view, business expansion abroad is seen as a process that is influenced by all managerial levels and involves numerous actors from both inside and outside a firm

network; therefore, it is as a cumulative, interactive, and unpredictable process of constant reconsideration of actions and adaptation among network actors under ever-changing conditions.

Holm, Ericsson and Johanson (1996) emphasize two main features of the network perspective on business exchange relations. First, they cannot be deterministic because they can be developed and sustained only when both parties are interested. Second, the informal component is a significant feature of business relations. Hence, network development is a complex, uncertain, and time-consuming process of multilateral interaction (Axelsson and Johanson, 1992; Johanson and Vahlne, 2003: 97). In general, internationalization as a process can be described as networking because it requires the establishment, maintenance, and expansion of relationships with different types of actor at individual and organizational levels; for example, customers, suppliers, banks, and state authorities (Benito and Welch, 1994).

The resource-base view is also widely applied in the network research within IE. Different types of relation (e.g., formal and informal; business and social) help internationalizing small firms to overcome resource constraints as they often lack foreign assets. For instance, Oviatt and McDougall (1994: 47, 49) indicate that the success of international new ventures depends upon their network relations in foreign countries through which they obtain resource commitments. Also, the study by Oviatt and McDougall (2005) demonstrates that tie strength, network size, and network density have a moderating effect on the speed of internationalization. Another study by Etemad, Wright and Dana (2003) shows how international entrepreneurial firms secure their resources through symbiotic international networks with bigger companies. Also, Etemad (2004: 3) indicates that managing relations both at home and abroad depends not on physical resources but on the entrepreneurial traits and social capital that often includes family ties. Network ties are also recognized as the main source of opportunity recognition for international family SMEs (Kontinen and Ojala, 2011). Coviello and Cox (2006) explore the dynamics of obtaining resources from the networks of internationalizing knowledge-based small firms. They propose that at the conception phase the resources obtained through networks are dominated by organizational capital and technical knowledge; at the commercialization phase, the resources obtained through networks are dominated by human capital; and at the growth phase, they are dominated by organizational capital associated with market development.

In general, it has been acknowledged that networks are essential to obtain financial resources, new capabilities, and knowledge of foreign market and institutional structures (Yeung, 2002; Wright and Dana, 2003: 142; Keupp and Gassman, 2009: 616). In this respect, Mort and Weerawardena (2006: 558) introduce the concept of networking capability that is “the capacity of the firm to develop a purposeful set of routines within its networks, resulting in the generation of new resource configurations and the firm’s capacity to integrate, reconfigure, gain, and release resource combinations”. Besides providing tangible or monetary resources, the networks of international entrepreneurial firms represent “alternative governance structures” and an informal controlling mechanism of trust and moral obligations (Oviatt and McDougall, 2005).

Similar to the entrepreneurial research on networks, studies of IE show that network relations may also inhibit internationalization efforts and result in high risks and negative effects on a firm’s development (Coviello and Munro, 1997). Besides enabling a firm to identify global market opportunities, acquire technological and market trend knowledge, and facilitate international market performance, networking capability may also have negative outcomes. Even beneficial relations may restrict a firm’s ability to recognize other opportunities that are present outside their particular network (Welch and Welch, 1996); this negative aspect of networking is named ‘network rigidity’ (Mort and Weerawardena, 2006: 567). Issues like power and control in a foreign network may set constraints on

networking activities; for instance, a company may experience total dependency from a dominant actor of a network (Coviello and Munro, 1995). Likewise, Seppo (2007) shows that restrictions on internationalization can come both from home-based networks (e.g., through rules and policies from a parent company) and foreign networks (e.g., competitors).

The network perspective on the internationalization of entrepreneurial firms initiates the discussion on the process of entry into foreign networks, and a debate about what is actually considered as an entry event, or, at least, where the process of entry starts and ends. Identifying the moment of entry into a new network is extremely difficult because it cannot be associated with the date of a firm's legal registration in a foreign country or signing a contract with an international partner. Blankenburg Holm (1995) contends that neither the starting point of a network entry nor its end is possible to detect. This is because it is impossible to know which network condition caused the entry, in most instances it has unexpected directions, and "the state of entry is neither final nor stable, since the interactions in the network imply a continuous change of the firm's context and consequently of its business activities" (p. 382). The problem with this statement is that, in fact, a business network entry could mean anything from an initial search for potential business partners to the dissolution of long-lasting business relationships.

The increasing importance of network relations during internationalization can be demonstrated by the major changes in one of the most influential theoretical foundations of International Business – the Uppsala internationalization process model (Johanson and Vahlne, 1977). While the original model shows that companies tend to internationalize gradually starting with countries of close psychic proximity and then progressing towards more distant markets, the revisited Uppsala model (Johansson and Vahlne, 2009: 1411) replaces the concepts of psychic distance and liability of foreignness with network position and liability of outsidership. Hence, the barriers to internationalization are no longer associated with country borders but relate to insider or outsider position within foreign business networks. Notably, the added network concept has made the revisited Uppsala model applicable not only to the context of large international corporations but also to the context of small international firms (p. 1425).

The idea that internationalization problems are related more to relationship-specificity and network-specificity than to location-specificity is also supported by the study of Johansson and Elg (2002). They indicate that network structures in foreign markets can create entry barriers for outside firms. Thus, domestic firms ('insiders') can protect their market from outsiders through engaging in coalitions and collaborations. These relationship strategies, both horizontal and vertical, complicate an outsider's positioning in the network and make a market less attractive. This perspective on networks as entry barriers complements and develops Porter's framework of five entry barriers.

The above discussion shows that an understanding of network relations, both in entrepreneurship and international entrepreneurship, follows the goal oriented logic of reasoning. This logic implies that entrepreneurs in both domestic and international contexts establish business relations according to the predefined goal of their ventures, and obtain a certain network position, and coordinate certain resource flows according to this goal. Also, this reasoning supposes that partners are strategically selected according to the objective information gathered on existing network structures. However, the evidence shows that in many cases relationship establishment of entrepreneurs is unplanned and non-goal oriented (Ritter, Wilkinson and Johnston, 2004: 177; Slotte-Kock and Coviello, 2010), and that network relations also add a non-rational component to the internationalization of SMEs. For instance, Meyer and Skak (2002) describe this process as serendipity in the networks of SMEs. Similarly, Ellis (2000) and Ellis and Pecotich (2001) say that normative and textbook-advocated ways of selecting foreign markets are rarely employed because network relations make it unsystematic. Besides just accepting that this feature of networking exists, the recent

research has not found an explanation for this phenomenon. This thesis suggests addressing effectuation theory and its means driven logic of reasoning (Sarasvathy, 2001; 2008) in order to clarify this unintended aspect of entrepreneurial relationship establishment. This theory will be covered further in Subsection 2.6.

2.5. Some critiques of the network approach

Reading the academic literature on organizational networks, it can often be noted that scholars conventionally try to avoid referring to it as a ‘theory’; rather, they employ terms such as ‘perspective’, ‘view’, or ‘approach’. This careful use of terms relates to the on-going debate on ‘whether the network approach is a collection of methods, or whether it represents a distinctive theoretical perspective’ (Kilduff and Tsai, 2003: 35). Indeed, many research findings obtained through network analysis could have been similarly obtained by means of other extant theories; hence, it can be asked ‘what role a network perspective might uniquely play beyond acknowledging and highlighting the importance of social relations for organizational and interorganizational affairs’ (Salancik, 1995: 345). Likewise, New and Mitropoulos (1995) express their criticism of network thinking and outline its fundamental drawbacks. First, network research takes it for granted that all organizations are embedded in networks of some description. However, the contingent approach of theorizing supposes that if some companies are involved in networks, there should be examples of other companies that do not operate within them; because being involved into a network should depend on the strategic choice of a firm (p. 58). Consequently, the second point of criticism stipulates that it is not clear whether a network is an outcome of the behaviour of a central firm or if networks are an objective reality; whether networks are chosen or universal. Altogether, the authors state that “the network idea has benefited from a descriptive charm; after all, networks seem less brutal than the market, more humane than the hierarchy” (p. 60). In the later works, the network approach has been criticized for focusing mainly on structural characteristics of business relations and lacking the studies on network complexity and dynamics (Jack, 2010; Paliwoda, 2011).

In the book chapter that is not included into this thesis, I criticize the network approach in IE because it undermines the notion of ‘international’ of the area making it undifferentiated from the Entrepreneurship field (Galkina, 2012). I adhere to the argument of Johanson and Vahlne (2003: 93; 2009: 1424) that geographical borders are irrelevant for network thinking, which equates internationalization to the general expansion of a firm.

With this in mind, several scholars suggest directions for developing the network approach into the network theory of organization. For instance, Salancik (1995: 348) argues that network researchers should study either 1) how network coordination is affected by adding or withdrawing some interaction or 2) how network structure can facilitate or inhibit some interactions. Also, Kilduff and Tsai (2003) propose that the network approach should be advanced by addressing the dynamic aspects of formation or dissolution of ties, explaining what constitutes a relationship, and revealing how certain network structures with certain actor’s positions are composed. The similar calls tend to be relevant also in the later literature (Jack, 2010; Paliwoda, 2011)

Certainly, the theoretical and empirical results of this dissertation cannot resolve the debate on the theoretical status of network perspective. Moreover, it is not the aim of this work; although it intends to achieve more understanding of networking as a process of connection and network formation, and thus respond to the call of Kilduff and Tsai (2003). This issue of entrepreneurial networking in the context of Entrepreneurship and IE requires addressing to the following theories and concepts.

2.6. Effectuation and networks

The theory of effectuation started to develop at the end of the 1990s and the beginning of the millennium (Sarasvathy, Simon and Lave, 1998; Sarasvathy, 2001). This theory introduces effectuation as a means driven non-predictive logic of entrepreneurial reasoning that is an alternative to goal driven causal logic. Sarasvathy (2001: 245) stipulates that “causation processes take a particular effect as given and focus on selecting between the means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means”. To clarify this difference further, she also states that “causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct. Causal strategies are useful when the future is predictable, goals are clear, and the environment is independent of our actions; effectual strategies are useful when the future is unpredictable, goals are unclear, and the environment is driven by human action” (Sarasvathy, 2008: 73).

Effectual logic follows several principles that differ from the predictive causal action. The first principle is termed “bird-in-hand” (Sarasvathy, 2008: 74) or means driven rather than goal driven action (Sarasvathy, 2001: 253; Wiltbank et al., 2009: 119; Read et al., 2009). Instead of acting according to a predefined goal, entrepreneurs start from the available means. These means are constituted by: 1) “What I am”, which relates to entrepreneurial identity, traits, tastes, and abilities; 2) “What I know”, which relates to knowledge; 3) “Who I know”, which relates to social networks at the individual level, organizational resources at the firm level, and demographics, current technology regimes, and sociopolitical institutions at the economy level (Sarasvathy, 2001: 250; Sarasvathy, 2008: 80). Ultimately, it is not only the set of means that is of particular importance for the effectual process but also what entrepreneurs actually do with them to achieve certain effects (Sarasvathy, 2008: 81).

The second principle named “affordable loss”, as opposed to unexpected returns, implies that under uncertain conditions entrepreneurs do not count future sales, and calculate desired outcomes and probabilities of risks. Instead, they estimate how much they can afford to lose in the worst case scenario (Sarasvathy, 2001: 252). Following this principle, entrepreneurs only need to know the current situation, which nullifies the role of uncertainty (Sarasvathy, 2008: 81; Read et al., 2009). By leaving their options open without a preconceived strategy, entrepreneurs remain accessible to novel opportunities and can creatively design their businesses (Sarasvathy, 2008: 88).

The third principle is termed “the crazy-quilt principle” (Sarasvathy, 2008: 88) or strategic alliances rather than competitive analysis (Sarasvathy, 2001: 252; Read and Sarasvathy, 2005: 52). When new markets are emerging or do not even exist yet, entrepreneurs cannot predetermine them for their ventures and examine actual and potential competitors. Instead, they focus on building partnerships with “any and all self-selected stakeholders” through making pre-commitments (Sarasvathy, 2008: 89; Dew et al., 2011).

The fourth principle is termed “the lemonade principle” (Sarasvathy, 2008: 89) that comes from the saying “When life gives you lemons, make lemonade”. Instead of the exploitation of pre-existing knowledge (e.g., particular technology; source of competitive advantage), effectual entrepreneurs exploit contingencies in order to control the emerging situation (Sarasvathy, 2001: 252). It relates to leveraging unexpected outcomes and surprising situations because uncertainty is treated as an opportunity and a resource rather than a disadvantage that should be avoided.

The last principle of effectuation is termed “the pilot-in-the-plane principle” (Sarasvathy, 2008: 91) or controlling an unpredictable future rather than predicting an uncertain one (Sarasvathy, 2001: 252). It has been developed from the idea that although nowadays planes

can fly without a pilot because of technical progress, pilots still fly planes ‘just in case’. Both causal and effectual actions seek to control the future. However, causation implies predictive control that expresses itself in the statement “To the extent that we can predict the future, we can control it”. Effectuation, inversely, supposes unpredictable control that can be put into the statement “To the extent that we can control the future, we do not need to predict it” (Sarasvathy, 2008: 91). Notably, this principle is discussed as a separate one only in Sarasvathy’s book *Effectuation: Elements of Entrepreneurial Expertise*; in other effectuation literature it is described together with the principle of affordable loss.

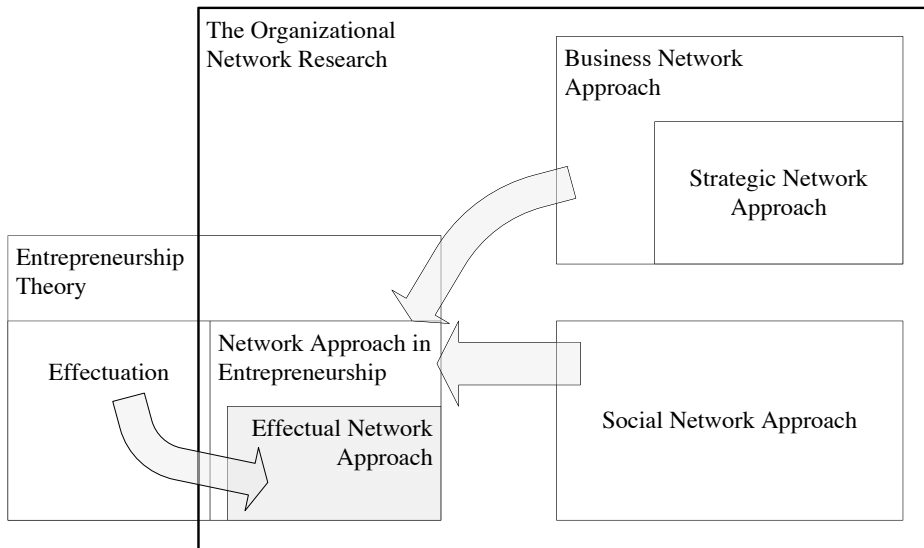
It is worth mentioning that effectuation and causation are constantly balanced in entrepreneurial action, and the same person can employ both logics interchangeably dependent upon the uncertainty of the circumstances (Sarasvathy, 2008). The theory of effectuation does not present a better logic of reasoning but intends to pluralize the concept of rationality by describing non-predictive, non-teleological, and non-adaptive methods of decision making (Sarasvathy, 2001: 249; Wiltbank et al., 2009).

The principles described above demonstrate that network relations constitute an essential part of effectuation. In the two models of effectuation (Sarasvathy, 2001: 253; Read et al., 2009: 4), entrepreneurial relations represent the starting point of effectual action by constituting the “Who I know” part of the means set. In addition, they are the necessary condition for the effectual process to unfold because they underlie its second principle – partnership and commitments instead of competitive analysis. Networks in effectuation are seen as organically formed entities that are co-created and self-selected (Wiltbank et al., 2009; Read et al. 2009: 14). Acting effectually, entrepreneurs do not make decisions on what partners to select and what network position to obtain; instead, they interact with all interested stakeholders in order to increase the scope for opportunity and creativity (Sarasvathy and Dew, 2005; Read, Song and Smith, 2009: 293; Wiltbank et al., 2009: 117). Instead of coordination, co-creation and self-selection are the core mechanisms and behavioural assumptions of effectual network formation because they are essentially different from causal partner selection, based on bounded rationality (Dew and Sarasvathy, 2007: 275; Sarasvathy and Dew, 2008: 729). While bounded-rational agents utilize solutions that have proved to be successful in the past and avoid solutions that failed (March, 1981), effectual entrepreneurs do not exploit pre-existing knowledge but leverage unexpected outcomes (Sarasvathy, 2001). Interactions with any and all stakeholders lead to a chain of commitments (Sarasvathy, 2008: 105, 118). Also, the nature of the commitments is different from those in causal relations. They are not intended to be employed to obtain resources and implement plans; rather, they help to increase flexibility and room for new opportunities (Chandler et al., 2011: 386-387). Although commitments represent an essential part of the mechanism of effectual networking, trust is determined to be theoretically inapplicable in effectual relations (Sarasvathy and Dew, 2008) because it implies predictive behaviour by having an expectation of somebody’s actions in the future. Similarly, calculating network risks becomes irrelevant because of the dominating principle of affordable loss (Sarasvathy, 2001).

Effectual networks differ from the received understanding of network relations in Entrepreneurship and IE study areas. The above theoretical discussion shows that the understanding of networks in these two areas is to a great extent driven by a venture’s goal and its resource needs. This focus has its roots in various network approaches adapted in these fields: the business network approach (Håkansson, 1982; Håkansson and Snehota, 1995; Ford et al., 1998) and the strategic network view within it (Jarillo, 1988; 1995); the social network approach (Granovetter, 1973; Podolny, 2001; Kilduff and Tsai (2003)); the entrepreneurial network approach (Hansen, 1995; Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010). This thesis suggests the concept of effectual networks as an additional view on how entrepreneurs build their relations. Effectual logic of networking, instead, implies non-goal driven and non-resource-dependent actions (Sarasvathy, 2008: 38). Essay

1 in this dissertation conceptualizes effectual networks as a discrete type of relationship system. This conceptual work together with the other extant studies on effectual networks of entrepreneurs (see e.g., Sarasvathy and Dew, 2003; Faiez and Younes, 2012) enables discussion on the emerging effectual view on networks, or the effectual network approach. Thematically, this can be positioned within the area of entrepreneurial network research (see Figure 3) because it originates from the entrepreneurial theory of effectuation. However, it differs from entrepreneurial network studies because they build on theories of business networks and social networks that, in turn, are grounded in the predictive goal oriented logic of reasoning.

Figure 3 The position of effectual networks in networks research



Although entrepreneurial partnership is one of the building blocks of effectuation theory and the notion of effectual networks is often mentioned in the effectuation literature (see e.g., Sarasvathy and Dew, 2005: 542; Sarasvathy, 2008: 101), it has not been discussed directly as a topic, and has not been properly conceptualized (Perry, Chandler and Markova, 2011; Chandler et al., 2011). Thus, more studies on relations of effectual entrepreneurs would help to progress effectuation research (Perry, Chandler and Markova, 2011; Chandler et al., 2011; Venkataraman et al., 2012: 29). Hence, I believe that the conceptual and empirical work undertaken in Essays 1, 4, and 5 of this thesis will help to advance the emerging field of effectuation. Some further criticisms of effectuation theory are provided below.

2.7. Some critiques of effectuation

According to Perry, Chandler and Markova (2011), effectuation area of research is still in its infancy with a slight move towards the intermediate level of scholarship. Some other authors even argue that effectuation is a rudimentary theory (Svensrud and Åsvoll, 2012). In their prominent review of extant effectuation studies, Perry, Chandler and Markova (2011) name several reasons why effectuation research has not grown more quickly. First, the theory of effectuation runs counter to the conventions of discipline in strategic entrepreneurship. Second, effectuation builds on cognition based theory, and it is threatening to develop solid observable behavioural variables out of this theory. Third, effectuation research lacks empirical studies due to the absence of sufficient validating measures. Although some scholars have attempted to provide measures for testing causation and effectuation, still

more of them are needed. For instance, the study by Chandler et al. (2011) shows that the deployment of strategic alliances and pre-commitments does not differentiate effectuation from causation, because they are equally used in both strategies. Also Perry, Chandler and Markova (2011) state that effectuation measurements are based upon reflective constructs rather than on formative constructs; this means that the measures comprising effectuation do not exist independently from the effectuation construct and do not correlate with each other. Fourth, the authors criticize the concept of effectuation because it was developed from research on expert entrepreneurs who represent just a part of the entrepreneurial population; average entrepreneurs may not follow effectual logic. To overcome this drawback, more research needs to be conducted comparing expert entrepreneurs with novice entrepreneurs.

Although effectuation represents a fast developing and promising framework for understanding entrepreneurial actions and decision making processes, it is still largely unsupported empirically. The major criticism relates to the drawbacks in the theoretical foundations of effectuation framework. In fact, effectuation resembles some other approaches and concepts already existing in previous streams of research describing the non-goal driven decision making process.

For example, effectuation can be seen close to the concept of emergent strategy developed by Mintzberg and Waters (1982). They provide a continuum that shows two ideal types of strategy at its poles – deliberate strategy (realized and intended) and emergent strategy (realized but unintended). Within this continuum, the authors distinguish planned and entrepreneurial strategies. Planned strategy relates to activities with precise intentions and formal control over predictable environment. Whereas, within the entrepreneurial strategy, intentions are less clear and unarticulated because they exist as the vision of a single leader, who can flexibly adapt them to new opportunities. As firms grow, intuition based entrepreneurial strategies are replaced by those that are more structured and planned. Similarly, the effectuation literature suggests that at the later stages of entrepreneurial process, effectual strategies are replaced by causal strategies (Sarasvathy and Dew, 2005).

In addition, it remains vague as to how effectual decision making differs from so-called garbage can decision making where problems, solutions, participants and choice opportunities are mixed in an unpredictable manner (Cohen, March, and Olsen, 1972). In her article, Sarasvathy (2003: 218) talks about both effectuation and garbage can decision making as similar processes of “designing without final goals”.

Also, the study by Fisher (2012) shows that there are many similarities between effectuation logic and behavioural theory of entrepreneurial bricolage, which describes entrepreneurial strategies under resource constraints and is defined as “making do by applying combinations of the resources at hand to new problems and opportunities” (Baker and Nelson, 2005: 33). The results of Fisher’s (2012) research suggest four dimensions that are consistent across two theories. Both effectuation and bricolage acknowledge that “(1) existing resources as a source of entrepreneurial opportunity; (2) action as a mechanism for overcoming resource constraints; (3) community engagement as a catalyst for venture emergence and growth; and (4) resource constraints as a source of creativity” (Fisher, 2012: 1039). In line with this discussion, Perry, Chandler and Markova (2011: 848) state that also more research has to be done in order to examine the relationship between effectuation and existing concepts of improvisation, ad hoc decision making and temporary organizations.

Distinguishing effectuation from the mentioned above approaches already existing in the literature would require a major conceptual analysis, which stays outside the scope of this dissertation. Nevertheless, it should be pinpointed that although effectuation is often called a theory (Sarasvathy, 2001; 2003), this thesis maintains that at the present point of

development effectuation represents rather a framework of concepts, although very promising, than a theory with a solid established stand.

However, in this thesis this framework represents one of the central theoretical antecedents; it has been chosen to describe unintended entrepreneurial networking for several reasons. First, effectuation represents a considerable paradigmatic shift in understanding entrepreneurial behaviour at the stage of starting new business and acting under uncertain conditions; thus, it is particularly appropriate to explain the entrepreneurial component in venturing activities (Perry, Chandler and Markova, 2011). This focus on ‘entrepreneurial’ has been the central context in the present dissertation; therefore, the choice for effectuation seems to be relevant. Second, alliances and network relations represent one of the central themes in effectuation discussion; hence, effectuation principles and effectuation vocabulary offer the appropriate conceptual instruments to capture particularly entrepreneurial networking and explain its non-goal-driven side. For instance, the Essay 1 of this thesis conceptually develops the notion of ‘effectual network’, a term that has been first introduced in effectuation literature. Finally, effectuation represents a nascent research area that has high potential to move to the intermediate state through both conceptual and empirical work (Perry, Chandler and Markova, 2011). This developing state of effectuation research and many open research questions offer promising avenues for making the relevant theoretical and empirical contributions, which is the ambition and the primary aim of this thesis (see Subsection 1.3.).

2.8. Entrepreneurial networking process in the three study areas

As has been stated earlier, this thesis intersects the three research areas – network approach in Entrepreneurship, network approach in International Entrepreneurship, and effectuation. In this thesis, I look at these three study areas through the lens of the topic of entrepreneurial networking, the focal topic of this thesis. Therefore, this subsection outlines how the three fields view this process and will discuss how the entrepreneurial networking process is seen from the point of view of the level of analysis, the level of relations, the scope of networking, the predominant view on the process according to the typology of Van de Ven and Poole (1995), the dominant activities of networking, and the outcomes of this process.

2.8.1. Entrepreneurial networking in Entrepreneurship

Who networks?

Because the network approach in Entrepreneurship builds upon social and business network theories, which implies both an individual and an organization as a unit of analysis (Slotte-Kock and Coviello, 2010), the focal agent of entrepreneurial networking activities is represented by an entrepreneur, or his or her firm. The dominating egocentric view of entrepreneurial relations (Slotte-Kock, 2009) sees networking as a process spreading outwards from the entrepreneur or a venture towards other actors.

Networking with whom?

The definition of an entrepreneurial network adopted in this thesis views all relations assisting the creation of a new venture as a part of the network (Dodd and Patra, 2002: 117). Similarly, Hoang and Antoncic (2003) and Slotte-Kock and Coviello (2010) indicate that an individual entrepreneur or a new venture forms relations both with other individuals and organizations. Therefore, it can be concluded that relations are formed at the level of both interpersonal and interorganizational ties.

Primary view on networking as a process

From the resource-based perspective, entrepreneurs establish relations in order to access resources that they otherwise lack. Thus, networking is seen as a goal oriented process, with the networking goal being determined by venture needs, strategy, and performance. In addition, according to Slotte-Kock (2009) and Slotte-Kock and Coviello (2010), the process studies on entrepreneurial networks mainly follow the life-cycle theory and regard networking as a sequence of stages or events; hence, the teleological, dialectic, and evolutionary views on the networking process have been largely neglected. The studies taking this perspective have been outlined earlier in this thesis in Subsection 2.2 (see e.g., Larson, 1991; Larson and Starr, 1993; Hite and Hesterly, 2001).

Scope of networking

Assuming that entrepreneurs establish relations in order to satisfy the various resource needs of their new ventures, I propose that proactive networking continues until these needs are fulfilled and new requirements have not emerged. Later, networking can be reactive, for example, in the form of responses to contact requests from other parties.

In addition, Slotte-Kock (2009) concludes that networks in entrepreneurship research are viewed as having definite boundaries which is explained by the dominating egocentric view of entrepreneurial relations. These boundaries are defined by the concept of a network horizon or entrepreneurs' individual perceptions and awareness of the spread of their networks (Anderson, Håkansson and Johanson, 1994). Building on this idea, I suggest that networking activities continue until entrepreneurs cognitively associate new establishing relations with their network horizon.

Primary activities of the networking process

Studies describing the networking of entrepreneurs at the pre-startup stage agree on the point that relationship building activities mainly relate to the development and utilize strong informal social ties (see e.g., Butler and Hansen, 1991; Larson and Starr, 1993; Hite and Hesterly, 2001). These relations are usually referred to as advice networks. This research stream has been covered in Subsection 2.2.

Networking activities of entrepreneurs who already have established new ventures are profoundly explored in the longitudinal study conducted by Anderson, Dodd and Jack (2010). They connect the proactive networking activities of entrepreneurs with the process of the new venture growth. The authors reveal several spans of networking activities that are primary to a firm's success. First, *liberating* relates to the networking activity of business founders that supposes a release from day-to-day operational routines in order to ensure the venture growth. Often, it implies a transfer of managerial tasks to trusted senior employees. Second, *inspiring* means that entrepreneurs start looking outside their ventures to the outer environment, and talk to various external actors in order to find new ideas. Third, being inspired by new future opportunities entrepreneurs return to their ventures and turn their inspirations into more directed and specific *visioning* by discussing this vision with various internal actors. Fourth, through *articulating* process entrepreneurs have conversations and negotiations with senior executives about the precise details of a new product or service. Fifth, the *implementing* span relates to the new product development stage that goes hand-in-hand with networking with different client firms.

Outcomes of the networking process

As has been shown in Subsection 2.3, network studies within the entrepreneurship field have a very strong connection with the resource-based view. Hence, entrepreneurs engage in networking activities in order to overcome different venture constraints and fulfil various

resource needs (see e.g., Hansen, 1995; Elfring and Hulsink, 2003; Neergaard, 2005). Therefore, entrepreneurial networking leads to growth and better performance of new ventures.

2.8.2. Entrepreneurial networking in International Entrepreneurship

Who networks?

The widely accepted definition of IE stating that it is “a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000: 903) indicates that IE behaviour can occur at individual, group, or organizational levels. However, traditionally the IE field has been understood through the lens of International New Venture, which is “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the scale of outputs in multiple countries” (McDougall and Oviatt, 1994: 49). Following this definition, IE research has traditionally focused on the organizational level and looked at internationalizing entrepreneurial firms. The studies on networking have followed this trend and at the firm level examine how various relations assist internationalization initiatives (see e.g., Etemad, Wright and Dana, 2001; Oviatt and McDougall, 2005; Coviello and Cox, 2006).

Networking with whom?

Network approach in IE builds on the networks studies from Entrepreneurship and International Business (IB) (Jones and Coviello, 2005). Research on networks in the IB field focus both on social and industrial business relations (see e.g., Johanson and Mattsson, 1988; Welch and Welch, 1996; Fletcher, 2008). Network studies in Entrepreneurship also combine the social and business network approaches (Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010). Therefore, the network approach in IE has also inherited the tradition of looking at both social interpersonal and business interorganizational levels of relationship establishment (for interpersonal networks, see e.g., Xie and Amine, 2009; Kiss and Danis, 2008; for interorganizational networks, see e.g., Coviello and Munro, 1997; Chetty and Cumpbell-Hunt, 2003b).

Primary view on networking as a process

Although the networking activities of international entrepreneurial firms can be unsystematic and non-rational (Ellis, 2000; Ellis and Pecotich, 2001), in general they are seen as being driven by the resource needs of ventures and, therefore, can be described as goal oriented. The network studies in IE to a great extent build on entrepreneurial network research, which, in turn, connects the networking process with the life-cycle of a firm and views it as a sequence of phases or events. The same trend can be observed in the business network approach that also prevails in the network research on IE (Slotte-Kock, 2009). For instance, Coviello and Cox (2006) link networking activities of international small firms with the stages of venture development.

Scope of networking

On one hand, the network perspective on internationalization assumes that networks are borderless (Wright and Dana 2003; Johanson and Vahlne 2009). This perspective is grounded in the business network research tradition. From this perspective, internationalization should not be associated with geographical borders or location specificities; it should rather be seen as the general expansion and growth of a firm (Johanson and Vahlne 2003: 93). On the other hand, the social network research tradition of IE presupposes the egocentric view on network relations and their defined boundaries

(Slotte-Kock, 2009). Therefore, the present author proposes that the unlimited or limited spread of network relations and scope of networking activities depends upon the perspective adopted by the researcher in a study.

Primary activities of the networking process

The discussion on the networking activities of internationalizing entrepreneurial firms has developed around the topic of foreign network penetration. For instance, Axelsson and Johanson (1992) suggest the three critical issues, or networking processes, that an internationalizing firm has to go through. First, the process of *orientating* relates to understanding various relations among actors in a network and the place of a new entrant in these relations; it is worth noting that real orientating can happen only after entering a network, meaning that the entry event as such occurs under conditions of even higher uncertainty and may take a long time. Second, *positioning* in a network implies the development of a firm's identity with regard to the strength and content of relationships with other actors; the position of a firm in its domestic market and in foreign countries, in many instances, influences the positioning process when entering a new market. Johanson and Mattsson (1992: 211) state that network position is "a consequence of the cumulative nature of the use of resources to establish, maintain, and develop exchange relationships". Also, the micro-position of a firm relates to its role in a dyad while its macro-position implies its role and identity in the overall network (Johanson and Mattsson, 1988: 293). Third, *timing* becomes a critical issue when a firm enters a new foreign network; no precise timing strategy or planning can be applied to this process since new relations and interdependencies occur at irregular intervals; therefore, it becomes more important to react quickly to secure an opportunity.

In line with the abovementioned ideas, Johanson and Vahlne (2003) argues that foreign network structures are impossible to identify from the outside; the only way to understand them is to start interactions with actors, otherwise, the structures can only be assumed. This idea is developed further in the revisited Uppsala internationalization model (Johanson and Vahlne, 2009). According to this model, networking activities of internationalizing firms, regardless of size and age, need to be focused on obtaining an insider position in foreign networks. This position can be achieved by establishing commitments and trust in relations with foreign partners in order to gain knowledge about their markets and decrease internationalization risks and uncertainties.

Another stream of research shows that the networking activities of internationalizing entrepreneurial firms are largely related to the process of partner selection. For instance, the study by Lu and Beamish (2001) shows that SMEs expanding abroad choose their partners through assessing their knowledge of the needs and tastes of local consumers, information about local competitors, and availability of a broad local network that can be employed when needed. Also, the research on international corporate new ventures conducted by Varis, Kuivalainen and Saarenketo (2005) proposes an analytical scheme of partner selection. First, firms need to identify their value networks and then evaluate the fit of potential partners according to the company specific criteria; for example, technical fit, business fit, and marketing fit. These criteria help to create the profile of a desired partner. Further, the actual process of partnering includes negotiations, re-negotiations, and training of selected partners. Another study by Kirby and Kaiser (2003) shows that SMEs internationalizing through a joint venture model often lack the skills and resources to make an appropriate choice of partners, and therefore need assistance in this process.

Outcomes of the networking process

As in the field of Entrepreneurship, the network approach in IE is to a great extent influenced by the resource-based view. According to this perspective, internationalizing entrepreneurial firms establish various relations both domestically and abroad in order to

obtain and secure different tangible and intangible resources. The resource flows, in turn, depend on the firm's position in the foreign market (Axelsson and Johanson, 1992). Thus, firms with an insider position in relevant foreign networks have a better chance of successful internationalization (Johanson and Vahlne, 2009). Hence, the purpose of networking activities is to obtain the most favourable network position in order to overcome the liabilities of outsidership, to gain access to valuable resources, and secure the firm's performance and growth through internationalization.

2.8.3. Entrepreneurial networking in Effectuation

Who networks?

Sarasvathy (2001; 2008) stipulates that effectuation as the logic of human reasoning and acting can be found in any human activity. However, effectuation is regarded as an entrepreneurial theory because its empirical focus from the very first studies has been on entrepreneurs and, more specifically, on expert entrepreneurs (Read and Sarasvathy, 2005; Perry, Chandler and Markova, 2011). Similarly, Sarasvathy and Dew (2005: 544) indicate that effectuation is an actor-centric process. Hence, also in the discussion on effectual networks and effectual commitments (see e.g., Sarasvathy, 2001; Sarasvathy and Dew, 2003), most attention is paid to the individual entrepreneur as the main proactive agent of networking.

Networking with whom?

Following non-goal oriented and non-selective networking strategies, effectual entrepreneurs establish relations with "any and all interested people" (Wiltbank et al., 2009:117). This can include "early partners, customers, suppliers, professional advisors, employees, or local communities" (Sarasvathy and Venkataraman, 2011: 126). Therefore, with regard to the level of relations, effectual networking occurs both at the interpersonal and interorganizational levels, combining social and business ties.

Primary view on networking as a process

According to Sarasvathy (2008: 73), effectual logic implies non-teleological processes. Hence, effectual networking as a process does not have predefined and unchangeable goals. Also, the effectual process cannot be termed evolutionary because evolution theory implies selection from variations that occur by chance. Effectuation, in turn, is different from serendipitous coincidence and rather represents logic of its own and supposes an active agent, an effectuator, who evaluates available means and the effects that can be created from these means (Sarasvathy, 2001). It also cannot be said that effectual processes follow dialectic theory, although the two opposing features of causal and effectual activity are apparent. However, these opposites are not in contention, which supposes that only one can be present at any given time. According to Sarasvathy (2001; 2008), causation and effectuation are constantly balanced with each other; this balance implies that causation and effectuation are rather the ends of a continuum than two discrete categories.

The way the effectual literature describes effectual relations implicitly suggests a life-cycle view. Although effectuation theory does not explicitly distinguish the steps of effectual networking, the analysis of publications on this topic facilitates an outline of a rudimentary sequence of stages within this process (for a more profound discussion, see Essay 1). First, entrepreneurs start by assessing their network means, which are mainly represented by 'Who I know' or their social ties. Later, they continue by networking with any and all interested partners without having preconceived goals. This leads to the formation of a chain of interactive commitments, through which actors are self-selected into effectual networks.

Effectual networks, also, are the antecedents of the formation of the new markets (Dew and Sarasvathy, 2007; Sarasvathy, 2008; Sarasvathy and Dew, 2008: 729; Wiltbank et al., 2009).

Scope of networking

The actor-centric view on effectual networking points to the initial source of the process. To understand where the process fades, I suggest using the concept of ‘effectual churn’ proposed by (Fischer and Reuber, 2011: 10); it means “the continuous looping between social interaction... and the reassessment of means and effects achievable, without progression through the effectuation process”. This implies an inability to assess available means and select from possible effects due to involvement in too many effectual relations and the handling of too many commitments. Therefore, effective effectual networking continues until the point that effectual churn is reached.

Primary activities of the networking process

Establishing relations effectually, entrepreneurs get engaged in several activities that become central to the formation of their networks. Effectual networks emerge through the process of *forming a chain of effectual commitments*, where each commitment is an atomic element of the future resultant network (Sarasvathy, 2008: 105). The commitment relates to an agreement to participate in the entrepreneurial process rather than to a decision about how the pay-offs from the new venture will be distributed. The special feature of an effectual commitment is that no stakeholder can certainly know his or her exact role in the process, and can only commit something he or she can afford to lose. Notably, it is not the “selection among alternatives...but the transformation of existing realities into new alternatives” that is central to the formation of a chain of effectual commitments (Sarasvathy, 2008: 109).

In addition, the *self-selection* of members into an effectual network is another critical mechanism of the effectuation process. Self-selection contrasts with partner selection driven by venture goals (Sarasvathy and Dew, 2005: 556; Wiltbank et al., 2009: 117, 120); it is determined by intelligent altruism that makes opportunism irrelevant (Sarasvathy, 2008: 119). By staking something they can afford to lose, members of effectual networks act altruistically because they cannot predict the success or failure of a new venture (Dew and Sarasvathy, 2007).

Also, the effectuation literature discusses co-creation as an important activity of effectual network formation. This relates to the process of “the cooperative shaping of the market rather than a competitive scramble for (predicted to be) valuable resources that drives industry dynamics” (Read et al., 2009: 14). The process includes any potentially interested actors and previously self-selected stakeholders, who negotiate and re-negotiate roles and relations within the growing effectual network. Through this co-creation all the stakeholders obtain either financial or emotional ownership of the entrepreneurial resources (Read et al., 2009).

Outcomes of the networking process

According to the dynamic model of effectuation (Sarasvathy, 2008: 101; Read et al., 2009: 4), the networking process leads to the creation of a chain of interactive effectual commitments that, in turn, forms the resultant effectual network of stakeholders. Effectual commitments increase the size of the network and the resources available to entrepreneurs; hence, effectuators obtain new means and can select from the variety of new effects that can be achieved with these new means (Sarasvathy, 2008: 105). Also, new available resources add constraints to the actions of entrepreneurs and stakeholders, and the network becomes less effectual (Sarasvathy and Dew, 2005).

In addition, the resultant effectual network changes realities in a new market (Sarasvathy and Dew, 2005: 542). However, the newly created market “is fabricated not through the designs of any one person, but through a chain of interactive commitments that forms the interface between the inner environment of the effectual network (current members) and the outer environment (current non-members)” (Sarasvathy, 2008: 107). Sarasvathy and Dew (2005) argue that the creation of the new market as an artefact is influenced by three situations in the effectual network. *First*, interactions that lead to the actual commitments suppose that every new member entering the effectual network co-creates a small piece of the future new market. *Second*, interactions that lead to rejected commitments indicate that the co-creation and transformation process has come to an end and alternatives have been explored. Entrepreneurs can respond to the rejected commitments by ignoring them and continuing to network effectually, they can begin exploring the existing alternatives, or they can complete the transformation and start exploiting the new market. *Third*, the events that are completely exogenous to the effectuation process can shape the effectual network. These can relate to macroeconomic or technological influences in the outer environment, or the exit of a key member from the network. In this situation, further growth of the new market depends upon the responsive shaping of the remaining network and leveraging existing contingencies.

Table 2 summarizes the above discussion on the networking process in Entrepreneurship, International Entrepreneurship and Effectuation. It demonstrates that despite the similar view on the level of analysis, the level of relations, and similar understanding of process, effectual networking differs from other approaches in terms of the scope of networking, primary networking activities, and their outcomes. This comparison intends to systemize the knowledge on entrepreneurial networking as a process and, thus, aims to serve as a separate contribution in addition to the contributions made by each essay in this thesis (see more on the theoretical contribution in Subsection 5.1.). It can be used as a starting point for further empirical studies on entrepreneurial relations in the three study fields.

Table 2 Views on the entrepreneurial networking process in the three study areas

	Network approach in Entrepreneurship	Network approach in International Entrepreneurship	Effectual network approach
Who networks? (Level of analysis)	An individual entrepreneur or an entrepreneurial firm	An internationalizing entrepreneurial firm	Individual entrepreneur
Networking with whom? (level of relations)	Interpersonal and interorganizational relations	Interpersonal and interorganizational relations	Interpersonal and interorganizational relations
Scope of networking	The scope is defined by the resource needs of a venture and the entrepreneurs' egocentric perceptions of their networks' horizons	Business network research tradition sees networks as borderless; Social network research tradition sees networks with defined boundaries	The spread of networking is restrained by effectual churn
Primary view of networking as a process	Intended goal driven process; Process is seen mainly as a sequence of events	Intended goal driven process; Process is seen mainly as a sequence of events	Unintended means driven process; Non-teleological; The sequence of stages or events is implicitly present
Primary activities of the networking process	Development and utilization of strong social ties at the pre-startup phase; Liberating, inspiring, visioning, articulating, and implementing at the growth phases	Orienting, positioning and timing; Obtaining insidership position; Partner selection	Effectual commitments; Self-selection; Co-creation
Outcomes of the networking process	Fulfilled resource needs; Growth of an entrepreneurial firm	Access to resources; Desired network position; Growth of an entrepreneurial firm through internationalization	New means; New goals; New markets

2.9. Contextualizing entrepreneurial networking

Some scholars argue that the national context does not impose any difference on networking patterns (Greve and Slaff, 2003: 17). However, many others agree that entrepreneurial activities as a form of economic behaviour cannot be separated from the context in which they occur. According to Welter (2011: 166), "context is important for understanding when, how, and why entrepreneurship happens and who becomes involved" because historical, temporal, institutional, spatial, and social settings can aid or hinder entrepreneurial actions. Likewise, Buzenitz, Gómez and Spencer (2000) indicate that national differences are important in gaining knowledge about entrepreneurial phenomena; however, these differences have been mainly studied through a narrow focus of cultural dimensions. The authors suggest that cross-national differences in entrepreneurship can be better understood by addressing a broader construct of country institutional profiles that includes regulatory,

cognitive, and normative dimensions. With regard to entrepreneurial networking, the focal topic of this thesis, it is argued that it should be considered as a highly context-specific phenomenon where the setting imposes certain socio-cultural patterns of establishing entrepreneurial relations (Johannison and Mønsted, 1997; Fletcher and Fang, 2006). Also, the study of twenty countries conducted by Klyver, Hindle and Meyer (2008) shows that the networking of entrepreneurs differs within various national contexts.

The empirical Essays 2 and 3 of this dissertation are based upon contrasting entrepreneurial networking of Russian and Finnish founding teams. The motivation behind studying entrepreneurial networking in these two national contexts can be explained by the new pathways for theoretical, empirical, and methodological contributions that will be described later in Section 5. The studies dealing with entrepreneurial networking in the two countries will be outlined further below.

2.9.1. *Entrepreneurial networking in the Russian context*

The dramatic institutional changes in Russian business networks during the last years of *perestroika* and further collapse of Soviet Union have made them less structured, less homogeneous, less hierarchical, and more closely linked to Western networks (Salmi, 1995). Under the new formal and informal ‘rules of the game’, the roles of business network actors have become less clear, some actors have disappeared, and some new have entered the business arena. In these kinds of loosely structured network, which are defined as turbulent or emerging networks, short-term relations and single transactions are common among actors and play a significant role in interaction (Salmi, 2000: 1376; Mattsson and Salmi, 2013). Initial entry into these networks can be easy; however, subsequent identification and coordination of relations with focal partners can become a lengthy and difficult process (Blankenburg Holm, 1995: 383).

Referring to the case of a Finnish company, Salmi (1996) suggests how Western companies can adapt both externally and internally to these uncertain network conditions. The main constraint for newcomers relates to potential problems in social interaction as a main component of exchange relations and business contact establishment. The language barrier and unfamiliarity with Russian customs and business traditions may become the main problems for Western business developers. Strong involvement in local business networks is crucial because in many instances they are the most reliable sources of market information when generally lacking market data. Since Russian business networks were quite isolated from foreign networks, their penetration requires both the learning and teaching of new business practices. Therefore, domestic relations of foreign firms provide a strong mechanism of coping with uncertainty and risk.

The high importance of the informal component in business relations is considered to be a special feature of unstable economies under transition, which applies to Russia (Rogers, 2006; Batjargal, 2006). Under conditions of an undeveloped legal system in the country, collapse of governmental institutions, and the moral heritage of social chaos after the breakdown of the soviet regime (Batjargal, 2006; 2007; Hendley, Murrell and Ryterman, 2000) people tend to substitute formal rules with informal mechanisms of governance (Jansson, Johanson and Ramström, 2007: 959). “When people do not trust the state, they establish the rules themselves” (Sidorov, Alexeyeva and Shklyarik, 2000: 922); hence, in the Russian business world, there is a tendency to personalize any relation. There is a big gap between the legal regulation of business and entrepreneurship and actual practice; this difference is exacerbated by the generally nihilistic attitude towards the rule of law. This may become a big challenge and obstacle for Western firms that are used to relying on a legal infrastructure as the main point of reference (Orlov, 1999: 374). Therefore, in the post-

socialist context, personal network relations still matter and have even increased in importance when compared with those under communism (Sik and Wellman, 1999).

The involvement in some business network implies the mechanism of identification that tags one either as a member of a network or as an alien. In the Russian business network context, this affiliation with certain relations is defined in terms of '*nash*' (ours) and '*ne nash*' (not ours) (Schrader, 2004: 405), or insider and outsider in terms employed by Aidis, Estrin and Mickiewicz (2008). Therefore, a person who is new to a network is treated as '*ne nash*' or outsider, and relations with this person are regarded as not trustful. Dealing with such a newcomer is regarded as very risky because it is seen as a faceless transaction. Hence, profound entry to a business network supposes turning the status of '*ne nash*' to that of '*nash*', which means the time-consuming establishment of trustful relationships, solidarity, and reciprocity of obligations. Paradoxically, for this reason, one-off interactions may leave a more positive impression than longer interactions because there is a difference between "the stranger who comes today and stays tomorrow" and "the stranger who will leave tomorrow"; the former can be a problem since he or she has to be placed into the '*nash - ne nash*' structure where no intervening position is recognized. Rather, the interaction with the latter is treated as a superficial relation, an investment into which could be a waste of resources.

2.9.2. Entrepreneurial networking in the Finnish context

The issue of entrepreneurial networking in the Finnish context has attracted very little empirical attention and has been mainly explored in the wider context of Scandinavia or under broader topics of entrepreneurial activities in general. The research by Johannisson and Mønsted (1997) says that, in Nordic countries, firms are usually established by entrepreneurs in the places where they live. Therefore, traditionally in areas with low population and distant urban centres, local communities have had strong control over new businesses in order to avoid opportunism. This corresponds with the findings by Klyver, Hindle and Meyer (2008), which show that network relations are very important at the stage of opportunity discovery and early growth in Finland. This can most probably be explained by the fact that, historically, the majority of entrepreneurs in Finland were agrarian entrepreneurs (Toivonen, 1985). However, this powerful entrepreneurial tradition of cooperation throughout small firms' networks is also found nowadays in more innovative and technology based sectors (Tohmo, Littunen and Storhammar, 2010; Okkonen and Suhonen, 2010).

The topic of entrepreneurship has become rather popular in Finland after the depression in the country during the 1990s, and especially after it was largely promoted by European Union policies. This explains the generally positive attitude towards it, especially among young people (Ellen, 2010). Local Finnish municipalities facilitate realization and development of entrepreneurial opportunities. For instance, the study by Selby, Petäjistö and Huhtala (2011) demonstrates how local decision-makers helped existing and new enterprises to develop the tourism industry in the Repovesi area through improving entrepreneurial infrastructure and funding arrangements. Also, universities and other governmental institutions run different programmes that support entrepreneurial initiatives. Often, organizations functioning in the form of business incubators serve as a link to business communities, and help prospective entrepreneurs and early startups to establish useful entrepreneurial relations. For instance, the study by Autio and Klofsen (1998) shows how one Finnish business incubator exploits the network between universities, state, and industries in order to promote entrepreneurship in the country. Another research conducted by Tötterman and Sten (2005) demonstrates how entrepreneurs in Finnish business incubators can find resources for their ventures through the incubators' network of venture capitalists, business angels, and governmental authorities.

3 RESEARCH DESIGN

3.1. Philosophical commitments

The starting point of any research process is the articulation of philosophical commitments and paradigmatic standpoints to which a researcher adheres. Demonstrating these premises is important because it shows how the researcher perceives the reality and, consequently, formulates the research question. In social sciences, agreed assumptions about the worldview, or the collective insight into a reality, is known as a paradigm (Guba and Lincoln, 1994; Gumesson, 2000: 186). It is a system of beliefs that are axiomatic, which means that they “must be accepted simply on faith (however well argued)” (Guba and Lincoln, 1994: 107). Altogether, a paradigm determines the nature of a reality, the relation between this reality and the knower, and how knowledge of the reality can be obtained and interpreted (Bryman, 2004: 453). In other words, a paradigm influences the epistemological, ontological, and methodological prerequisites of the inquirer (Denzin and Lincoln, 2000: 19).

Guba and Lincoln (1994: 109) distinguish four conflicting paradigms: positivism, post-positivism, critical theory, and constructivism. In *positivism*, the ontological premise is *naïve realism*, which implies that reality exists and is ruled by the cause-effect laws of nature without considering time and context. The epistemology of this paradigm is represented by *objectivism*, which supposes that the knower and the reality are independent of each other. Therefore, the methodology of positivism is *experimental* and *manipulative*, and is based on quantitative methods and verification of hypotheses.

Post-positivism is based upon *critical realism* as an ontological antecedent; it postulates that the reality exists but its comprehension is imperfect because of limited human intellectual ability. Consequently, the epistemological stance of post-positivism builds on *modified objectivism*, which assumes that the independence of the knower from reality is impossible but ideal, and should be the aim. Hence, the modified experimental methodology of this paradigm supposes undertaking research in a more natural setting, and collecting and replicating situational information (Guba and Lincoln, 1994).

In *critical theory*, *historical realism* stands for the ontological prerequisite suggesting that reality is shaped by political, economic, cultural, ethnic, gender, and other factors. Therefore, the epistemology of this paradigm is *transactional* and *subjectivist* meaning that the studied object is influenced by the values of the knower, and, thus, assumes that the obtained knowledge is value mediated. This methodology, in turn, is *dialogic* and *dialectical*, which assumes a constant dependency between the investigator and the subject (Guba and Lincoln, 1994).

Reflecting on my understanding of the reality, I would relate my personal worldview to the fourth *constructivist* paradigm, which implies that “the meanings of social phenomena are constantly set in the minds of social actors” (Bryman, 2004: 438). This paradigmatic position determines the overall course of the present thesis. Thus, *relativism*, as the subsequent ontological premise, assumes that many local and specifically constructed realities exist. *Subjectivism* or *interpretivism* as the epistemological stance of constructivism implies interaction between the inquirer and the object of investigation. Also, the knowledge is mutually co-created by the individual under study and the researcher during the investigation process. Because of the attention to the context and subjective meaning of reality, *hermeneutical* or *qualitative* methodology is coherent with the constructivist paradigm. It supposes that an inquirer does not look to reveal cause-effect relations between social phenomena but seeks a deeper understanding of a phenomenon in its context, and

tries to interpret it from the respondents' perspective (Guba and Lincoln, 1994; Denzin and Lincoln, 2000; Bryman, 2004).

It is worth noting that the extant research paradigms are not limited just to the four mentioned by Guba and Lincoln (1994). For instance, Bergman (2008) and Tashakkori and Teddlie (2003) discuss *pragmatism* as the paradigm that resolves the conflict between quantitative and qualitative methodological positions and accepts their co-existence. Pragmatism implies that a researcher is free to incorporate any method into an investigation because the most important factor is to understand the research problem in every respect.

3.2. Logic of inference

Every research process has the logic of inference that can be *deductive*, *inductive*, or *abductive*. Research that is based on existing theoretical considerations and aims to test and revise them is known as deductive research (Patton, 1990). Deduction implies that the initial premise is strong and truthful and, hence, increases the probability of an accurate guarantee of a non-false conclusion (Bryman, 2004; Gummesson, 2000). Thus, deductive types of study move from a general theoretical framework to specific findings regarding practice through the formulation of hypotheses and testing the existing theoretical premises (Ghauri, Grønhaug and Kristianslund, 1995). Deductive logic of inference is mainly employed by researchers adhering to positivist and post-positivist paradigms, and implies using quantitative methods (Guba and Lincoln, 1994; Bryman and Bell, 2007).

Inductive logic of inference relates to the move from practice to theory generation. It starts with the presentation of empirical results and further generation of general patterns that lead to new theory, or extend and develop extant theory (Bryman 2004; Gummesson 2000). Mostly, induction can be found in qualitative studies within the constructivist research tradition (Patton, 1990; Guba and Lincoln, 1994).

Abduction (also known as retroduction) is the logic of reasoning that stems from the idea that scientific research cannot follow purely deductive or purely inductive logic because it supposes constant interaction between theory and results (Kovács and Spens, 2005: 135). Abductive inference seeks the best explanation of accepted facts; if the facts are not sufficient to derive an adequate explanation, new facts have to be collected to continue the inference (Lipton, 2004). Hence, abduction is the process of the systematic combination of theory and data that starts with building pre-understanding through the examination of extant theories, then finding new explanations through empirical results and relating them to this theory, and then revisiting practice if the formulated explanations are not sufficient (Dubois and Gadde, 2002; 2012). Abduction approach suits well the studies aiming to answer *how* and *why* research questions (Alvesson and Skoldberg, 2000).

If taken separately, each article in this dissertation has a theory-building purpose and intends to extend the existing knowledge on entrepreneurial networking, which is consistent with the adhered constructivist paradigm and the general qualitative course of the studies. According to the typology provided by Yin (1994), the four empirical essays can be classified as exploratory, which means that they do not aim to test the extant theories but intend to gain new insights regarding sparsely investigated phenomena and extend the extant theory. Also, the case study strategy employed in these four empirical essays is recognized as being a strong theory development approach (Eisenhardt, 1989; Jensen and Rodgers, 2001; Remenyi et al., 2002; Eisenhardt and Graebner, 2007). As for the conceptual Essay 1, it also contributes to theory development by conceptualizing the notion of effectual networks. Altogether, the inductive theory development achieved in this thesis is achieved through proposing conceptual models (see Essays 1, 2, and 4) or extending extant theories (see Essays 1, 4, and 5).

However, as it has been shown in the description of my research process (see Subsection 1.4.), this dissertation as one piece represents an example of abductive reasoning. First, it is a collection of five essays with different research questions complementing to understanding the phenomenon of entrepreneurial networking from different angles. Also, the realization that some angles existed (e.g., unintended effectual side of entrepreneurial networking) came after the completion of some theoretical and empirical work. Second, there have been several data collection phases that in fact resulted in several data sets. Third, during the data analysis phase I moved back and forth between the theory and the data in order to re-check the literature, which led to new conclusions about the data. The issues of the search for the relevant literature, study settings, the data collection, the data analysis will be covered more specifically further below.

3.3. Search for the relevant literature

Before starting the empirical work for the essays included into this thesis, I needed to read extensively the relevant literature devoted to the topics of entrepreneurial networking, networking of internationalizing entrepreneurial firms, entrepreneurial networking in Russian and Finnish contexts, and effectuation. This review of the literature was a continuous process of returning to already read sources and adding newer ones. Moreover, it had to be a continuous process in order to include the most up-dated sources into my work. In many instances this process was rather challenging. For instance, when I compared different types of networks in the Essay 1, it felt like coping with the never-ending amount of literature on business, strategic, social and entrepreneurial networks. Finding definitions of the specific types of networks was hard because many authors use the terms without clearly defining them; also, some of the arguments were contradicting across different sources. In addition, the work was rather voluminous because some of the research areas in this dissertation overlap with other disciplines, which implies including the literature from the other neighboring research domains. For instance, the issue of networking during internationalization (the Essay 5) is discussed both in International Business and International Entrepreneurship literature. Although many sources from IB are very relevant for IE, in many cases I filtered them by focusing only on the studies on small entrepreneurial firms in order to avoid over-referencing.

In my initial search for the most relevant sources, I followed the advice of my two supervisors who recommended me the most cited and influential papers to read. However, I found the most of the referred articles through the available electronic databases for scientific articles like EBSCO or Emerald. For instance, the articles on effectuation were found by typing the title 'effectuation' or the author's name 'Sarasvathy' into the search window. In order to assure the quality of the references, I strictly filtered the search output; thus, only peer reviewed articles from the academic journal were chosen. I also chose some sources through 'snow-ball' selection. For example, I addressed to the bibliography of some article in order to check the scope of references and to use those that were interesting for my topic or have been already widely referred.

3.4. Justifying the study strategy

All four empirical essays included in this dissertation follow the qualitative methodology, which is coherent with the constructivist paradigmatic view (Guba and Lincoln, 1994; Pratt, 2009). Thus, this thesis is a response to numerous calls to conduct more qualitative research on entrepreneurial networks (Hoang and Antoncic, 2003; Parkhe et al., 2006: 563; Jack, 2010). The multiple-case study is chosen as an appropriate research strategy for several reasons. First, as recommended by Siggelkow (2007), this choice has been primarily driven by the research question. The research questions of this thesis (see Subsection 1.2.) address

the ‘how?’ and ‘why?’ issues of the entrepreneurial networking process, which are better studied using qualitative methodology (Patton, 2002). Second, it is more appropriate for studying dynamics and changes (Patton, 1990: 13, 53; Stake, 1995: 37; Yin, 1994; 2004), which is consistent with the focus on networking as a process in this thesis. Third, qualitative methodology and case studies in particular are more suitable for capturing interdependencies in complex systems, which includes networks (Stake, 1995; Gummesson, 2000). Fourth, case study enables the capture of the local context and situational constraints within which the study object is involved (Sayer, 1984: 117; Stake, 1995: 16; Verschuren, 2003; Yin, 2004). This context is particularly important for network relations because interactions between network actors never occur in a vacuum (Scott, 1991: 3; Halinen and Törnroos, 2005). Fifth, qualitative case study strategy is consistent with the inductive nature of the essays, which intend not to test hypotheses or propositions but to develop theory (Eisenhardt, 1989; Marshall and Rossman, 1999; Yin, 2004). Sixth, case study method is well suited for cross-border and cross-cultural research (Ghauri, 2004), which concerns Essays 2 and 3.

As the case studies in this dissertation can be classified as exploratory, they do not aim to reveal causal relations between object and context (as in explanatory case studies) or summarize findings (as in descriptive case studies) but intend to explore the understudied phenomenon of entrepreneurial networking in different contexts and to provide models or theory extensions for further examination. In addition, the case studies in the empirical essays can also be classified as multiple case studies because they are based on several sources of data (Yin, 2004; Eisenhardt, 1989).

3.5. The study settings and datasets

According to Eisenhardt (1989), the appropriate number of cases for multiple-case research varies between four and ten, which is enough for analytical generalization and coping with the data volume relatively easily. In addition, information from several cases provides a more comprehensive and detailed understanding without chance associations (Yin, 1994: 45; Stake, 1995: 4). However, the case selection should not be driven by maximizing the number of cases but by achieving meaningfulness and information richness of the cases (Yin 1994; Patton, 1990). The process of selecting the cases with specific meaning to the study is defined as purposeful sampling and follows the replication logic of research design (Yin, 1994; Stake, 1995: 4; Fletcher and Plakoyiannaki, 2011).

The purposeful sampling approach was employed during the case selection for each study in this thesis. Altogether, the four empirical essays are based on the three datasets that are described in further detail below.

3.5.1. The study setting for Essays 2 and 3

The study setting for Essays 2 and 3 is based on three Russian and four Finnish entrepreneurial firms. The criteria for the case selection were a) an early stage of entrepreneurial process; b) a founding team of at least two entrepreneurs; c) their willingness to participate in the study. There was no criterion that case firms had to belong to any specific industry because this was not required in order to answer the research questions.

According to Marshall and Rossman (1999), a realistic setting for research is the one where entry is possible and that has a critical mix of sought processes; the setting should also ensure trustful relations with respondents and data quality. It is worth mentioning that the author’s Russian origin and Finnish residency were both useful in finding the case

companies for Essays 2 and 3 (see Table 3). Thus, access to the Russian companies was obtained through personal family relations, which provided a good understanding of the companies' contexts (Gummesson, 2000: 32). For example, firm F1 agreed to participate in the study only because its owner was my cousin; the other two firms, F2 and F3, were reached through connections of the author's sister. These close connections served as a trust mechanism assuring that the results of the study would be used with full confidentiality and not harm the participating firms.

However, obtaining access to the Finnish entrepreneurial firms was relatively faster and easier than it was with the Russian firms. At the time of data collection during summer 2007, I lived in Tampere, Finland, and used some informal connections that I had from my past studies at Tampere University of Technology. Contact information for six prospective entrepreneurial firms was received from these personal connections and their references. They were contacted via e-mail and interviews were requested. Four of the firms agreed to be interviewed. Thus, a total of seven firms were secured for the study. More profound discussion on cross-cultural aspects of conducting the studies for Essays 2 and 3 is given in Subsection 3.8.1.

Table 3 A profile of the case firms studied in Essays 2 and 3

Firm and industry	Year of inception	Number of employees	Number of founders	Stage of development
F1. (Russian) Automobile service	2007	10	3	Startup
F2. (Russian) Office furniture design and sales	2002	25	2	Early growth stage
F3. (Russian) Public relations solutions and advertising	2003	30	2 (initially 3)	Early growth
F4. (Finnish) Information security and risk management consulting	2005	7	3	Early growth stage
F5. (Finnish) Middle-ware solutions for performance computing	2006	5	2	Startup stage
F6. (Finnish) Assembly solutions for automated production	2005	1	3 (initially 6)	Startup stage
F7. (Finnish) Laser technology	2005	10	5	Early growth stage

3-5.2. The study setting for Essay 4

The empirical component of Essay 4 is also based on the multiple-case study approach. The criteria for the case selection were a) an early stage of entrepreneurial process (not more than three years after legal start up), and b) willingness to participate in the research. Also, the case firms were not chosen from any particular sector as this was not necessary in order to answer the research questions.

The realistic setting (Marshall and Rossman, 1999) and data access for this study were attained through addressing a local entrepreneurial organization Aalto Entrepreneurship Society (www.aaltoes.com) that is located in Espoo, Finland. It is a privately funded initiative led by students and post-graduates that helps future entrepreneurs to develop their business ideas and start their companies; it also provides incubation services for legally established

new ventures during the early commercialization period. At one exhibition where the startups from Aalto Entrepreneurship Society presented their business ideas, I personally met with several entrepreneurs who could potentially participate in the study and invited them to be interviewed. As the result, the founders of firms F2, F4, and F6 agreed. Later, when I contacted them via e-mail to confirm the date and time of the interviews, I sent them short descriptions of the research projects; however, they did not receive the interview guide in advance.

In addition, when interviewing the founders of firms F2, F4, and F6, I also employed the snowball sampling technique (Goodman, 1961; Heckathorn, 1997) and asked them if they knew any other startup company that might agree to participate in the study. Several contacts were provided by the interviewees who enabled access to firms F1, F3, and F5. Snowball sampling had several advantages in this research. First, it facilitated access to unknown experts. Second, it enabled relatively fast and easier data access, which is important given the limited time constraints for the completion of the doctoral studies, and in circumstances of having to conduct some of the research in another country. Altogether, six startups were studied; a profile of the firms studied in Essay 4 is summarized in Table 4.

Table 4 A profile of the case firms studied in Essay 4

Firm and industry	Year of inception	Number of employees	Number of interviewed founders
F1. Software solutions for storing memories and life stories	2007	-	2
F2. Software solutions for organizing legal regulations	2008	1	1
F3. Facilitation and training	2007	6	1
F4. Design of accessories	2007	-	2
F5. Optical signal processing and telecommunication	2007	2	1
F6. Social media consulting	2008	5	1

3.5.3. The study setting for Essay 5

The criteria for the case selection for the study in Essay 5 were a) SME with less than 250 employees (European Commission, 2003: 5); b) international operations; c) willingness to participate in the research. Firm F1 in the sample was accessed through the personal connections of my first supervisor. Besides being a part of the dataset for this study, firm F6 also belongs to the dataset of another ongoing research project in which I am also participating. This company has been accessed and interviewed by the department research assistant who is involved with that project (see Subsection 3.6.3., regarding data collection for Essay 5).

I sourced the remaining firms by attending various thematic business exhibitions and events. I had personal conversations with the representatives of several firms at these events. Later, based on information obtained during these conversations and subsequent examinations of their internet profiles, ten firms were invited to be interviewed and participate in the study; eight agreed, and dates and times were confirmed (see Table 5).

Table 5 A profile of the case firms studied in Essay 5

Firm and its industry	Year of inception	Year of internationalization	Number of employees	Number of foreign markets
F1. Software for optical reader	2006	2007	130	21
F2. Turnkey luxury interiors built for land and sea	1987	2008	90	1
F3. Facilitation and corporate training	2003	2007	7	5
F4. Fashion garments and accessories	2005	2010	5	1
F5. Supplier of equipment and coating technology	2005	2007	60	15
F6. Business consulting	1993	2007	24	1
F7. Cosmetics and skincare	1984	2007	72	4
F8. Design and manufacturing of climbing equipment for gyms	2007	2009	2	19

3.6. Data collection

3.6.1. Data collection for Essays 2 and 3

The primary data collection method employed for Essays 2 and 3 was semi-structured interviews; twenty semi-structured interviews were conducted. The purpose of the interview method in qualitative research is “to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena” (Kvale, 1983: 174). Unlike a structured interview, a semi-structured interview allows for greater flexibility, attention to detail, and the emergence of new and unexpected topics (Yin, 1994: 85; Stake, 1995: 65; Gummesson, 2000: 127; Lindlof and Taylor, 2002; Silverman, 2010), which is consistent with the exploratory nature of this research. The nature of qualitative interviewing implies that a researcher is constantly balancing between, on one hand, remaining neutral and not manipulating the data while, on the other, developing a close empathic relationship with an interviewee (Patton, 1990). I endeavoured to establish and maintain this empathic neutrality before, during, and after each interview.

Before the interviews, I prepared the interview guides that represented open-ended questions grouped in accordance with certain topics (see Appendix 1). According to Patton (1990: 24, 295), information obtained through open-ended questions is more accurate and thorough because they allow interviewees to present phenomena from their own perspective and on their own terms. Also, firms’ internet sites were used to prepare for the interviews. For instance, I checked the companies’ histories, their main partners, and operated markets. The ‘News’ sections of their websites provided information regarding the latest events (e.g., exhibitions visited; awards won) about which they could be questioned during the interviews. Thus, each interview guide was tailored for each case company. If requested, the interview guides were sent to the respondents before the actual interviews. When confirming the interviews by e-mail, phone, or in person the respondents were informed that the conversations would be tape recorded. Thankfully, in all cases the respondents did not object to the interviews being voice-recorded.

Before commencing the interviews, when adjusting the voice recorder and preparing the necessary papers, I usually began with a brief description of the project and its aim. This introduction and ensuing informal talk about it were helpful because it gave the respondents time to become accustomed to being recorded. The interpretivist ontological stance also influenced the way data were collected. During some parts of the interviews, I remained quiet and let the informants tell their stories (i.e., when they talked about the emergence of their business idea and the venture founding process). Also, besides the questions written in the interview guides, additional specifying questions had to be asked to elicit more detailed information in order to establish a deeper understanding of the interviewees; for example, “Can you tell me more about your search for partners?”, “I saw you also attended exhibition X, how did you network there?”, “What happened after you met your business partner X?”, and “Did you use any other partners?”. When all the questions from the interview guides were covered, I asked the respondents whether they had anything to add in case any aspect of networking they deemed to be important had been overlooked.

The information regarding the respondents’ network relations is complicated by overlapping sets of different actors and nature of relations between them. Thus, in order to present it in a unified manner, I used graph notation (Wasserman and Faust, 1994; Scott, 1991) for ease of visual display, which demonstrates a network as a system of nodes joined by lines and provides a visual tool for further analysis of the network relations. During the interviews for all four empirical studies, I asked the respondents to draw their network relations in the way they perceived them, with different colours being used to connect different types of tie. This technique expedited the interview procedure and helped to avoid misunderstandings.

After the interviews, I sent e-mails to thank each respondent. Some interviewees responded by e-mail in which they specified or corrected the information given during the interviews. Also, some of them wanted to receive the results of the study; therefore, further meetings were arranged. Table 6 below specifies the data collection phase for the studies in Essays 2 and 3.

Table 6 Interviews conducted for the studies in Essays 2 and 3

Firm	Country	Date	Informants	Place	Duration
F1	Russia	27.07.2007	Founder and CEO*; Founder; Founder and financial manager	Company premises + cafeteria	00:51; 00:35; 00:52
F2	Russia	26.07.2007	Founder and CEO; Founder and sales manager	Company premises	00:42; 00:45
F3	Russia	29.08.2007	Founder and CEO; Founder and marketing manager	Company premises	00:50; 00:46
F4	Finland	02.08.2007; 03.08.2007	Founder and CEO; Founder and financial partner; Founder and sales manager	University + cafeteria	00:40; 00:35; 00:34
F5	Finland	01.08.2007	Founder and CEO; Founder and CTO**	University	00:45; 00:40
F6	Finland	07.08.2007 08.08.2007	Founder and CEO; Founder and CTO; Founder and marketing manager	University + cafeteria	00:54; 00:34; 00:37
F7	Finland	10.08.2007 16.08.2007 17.08.2007	Founder and CEO; Founder and financial partner; Founder and financial partner; Founder and marketing manager; Founder and financial manager	Company premises	00:45; 00:40; 00:41; 00:53; 00:35

*CEO – Chief Executive Officer; **CTO – Chief Technological Officer

In addition to the interviews, various public and internal documents of the firms studied were employed to gather information, which can be classified as secondary data (Patton, 2002). As has been stated, I used information from the companies' internet pages to prepare for the interviews. Additionally, during the interviews some respondents provided their company leaflets, advertising magazines, and slides from internal presentations, which contained useful data on their firms' networking activities. The integration of primary and secondary data was mainly done in the situations when I had to double-check the information from the interviews. For instance, I used firm's web-sites to check the lists of their partners or to learn more about the industry events firms participated in or the awards they received.

3.6.2. Data collection for Essay 4

The pre-interview preparations, the tactics employed during the interviews, and the arrangements made after the interviews were similar to the data collection process for Essays 2 and 3. In total, the study includes eight interviews with the founders of selected startups (see Table 7). Although the focus of the interviews was on the effectual networking of entrepreneurs, mention must be made of avoiding the bias of seeing only effectual logic in their networking activities. Thus, during the interviews I first asked general questions about relationship establishment. Later, if examples of effectual logic were determined, more specific questions about it were asked. In addition, the use of secondary data was the same as described in the previous subsection.

Table 7 Interviews conducted for the studies in Essay 4

Firm	Date	Informants	Place	Duration
F1. Software solutions for storing memories and life stories	16.02.2010; 16.02.2010	Founder and CEO; Co-founder	Firm premises	01:15; 00:50
F2. Software solutions for organizing legal regulations	16.04. 2010	Founder and CEO	Firm premises	01:31
F3. Facilitation and training	17.02.2010	Founder and CEO	Cafeteria	01:44
F4. Design of accessories	01.03.2010; 02.03.2010	Founder and CEO; Co-founder	Business school; Cafeteria	01:03; 01:07
F5. Optical signal processing and telecommunication	11.03.2010	Founder and CEO	Firm premises	00:48
F6. Social media consulting	16.04.2010	Founder and marketing manager	Firm premises	01:17

3.6.3. Data collection for Essay 5

The data for this study include eighteen semi-structured interviews with the founders and/or managers responsible for internationalization. I conducted ten interviews with seven firms. The data collection procedures employed during the interviews and incorporation of secondary sources were similar to those described in Subsection 3.6.1. The only exception being the interview with the founder of firm F7 and the second business manager of firm F5, which were conducted via video conference because of the geographically distant location of the informants. However, as was mentioned earlier in Subsection 3.5.3., the eight interviews with the representatives of firm F6 were conducted by the department research assistant who was involved with a research project in which the firm was participating. The data from those interviews showed evidence of the effectual logic of networking during internationalization; therefore, it has been decided to incorporate them into the study concerning Essay 5. It is worth noting that the role of the research assistant in this study was only that of data collection and transcription of the interviews; I undertook further data analysis. Table 8 summarizes the interviewing process.

Table 8 Interviews conducted for the studies in the essay 5

Firm	Date	Informants	Place	Duration
F1. Software for optical reader	19.04.2010	Founder and CEO	Firm premises	01:20
F2. Turnkey luxury interiors built for land and sea	27.05.2010	Business manager	Cafeteria	01:05
F3. Facilitation and corporate training	17.02.2010 18.02.2010	Founder and CEO	Firm premises + cafeteria	01:45; 00:50
F4. Fashion garments and accessories	11.03.2010; 24.03.2010	Founder and CEO; Business manager	Firm premises	01:03; 00:54
F5. Supplier of equipment and coating technology	13.04.2010; 21.05.2010	Business manager; Business manager	Firm premises; Interview via video conference	01:25; 00:56
F6. Business consulting	13.12.2010; 17.12.2010; 14.12.2010; 17.12..2010; 14.12.2010; 17.01.2011; 17.01.2011 18.01.2011	Chairman of the board; CEO; Partner; Manager; Employee; Managing director; Analyst; Contact person	Firm premises	01:30; 01:51; 01:48; 01:13; 01:24; 01:02 01:02; 01:13
F7. Cosmetics and skincare	24.10.2010	Founder and CEO	Interview via video conference	00:01:05
F8. Design and manufacturing of climbing equipment for gyms	09.03.2010	Founder and CEO	Cafeteria	01:20

3.7. Data analysis

As stated by Miles (1979: 593), “it is fair to say that by the best of current standards, analysis of qualitative data is a mysterious, half-formulated art”. Others even question the existence of these standards (Pratt, 2009, Bansal and Corley, 2011). It is quite difficult for me to distinguish a separate phase of data analysis within the research process because it continued throughout, with data having to be re-visited numerous times. Basit (2003: 145) states that “qualitative data analysis is not a discrete procedure carried out at the final stages of research. It is, indeed, an all-encompassing activity that continues throughout the life of the project.” The data analysis techniques have largely been the same for all four empirical essays in this study. However, it is important to report them separately as they belong to different research projects.

3.7.1. Analysis of the data for Essays 2 and 3

3.7.1.1. Informal data analysis

Informal data analysis began during the interviews. According to Basit (2003: 152), it is common in qualitative research for data analysis to start during the fieldwork. In this case, the analysis took the form of immediate reflections upon the information just received. Often, I made notes regarding some surprising data or unclear facts, and I used them for further clarification when required; for instance, specifying questions were asked when there was a danger of something being misunderstood or if more details were needed.

Further, as suggested by Miles and Huberman (1994: 51), I started to analyze the gathered data immediately after the interviews by completing summary sheets in my research diary. These sheets contained brief information on the observations made during the interviews. Using the terminology of Miles (1979: 594), they can be referred to as site summaries that supported the initial informal data analysis. For instance, details that were deemed to be important were included: the place and time of the interview meeting; the general atmosphere; my impression of the informant and the interview location; whether I felt comfortable talking to the interviewee considering, for example, age and gender differences; whether the interviewee showed an interest in the conversation. Occasionally, notes were also taken regarding some important information obtained during conversations after the interviews had concluded and the recorder had been switched off. These site summaries were also of practical use by keeping track of the data collection process.

Throughout the data collection, transcripts and field notes from earlier interviews, which had been conducted at the beginning of the process, were also analyzed in preparation for subsequent interviews. For example, I observed that the introductory speech about the research aim in the first interviews was rather long and possibly bored the interviewees as it was their time to talk; therefore, in later interviews the introduction was reduced to just a couple of sentences. Indeed, the whole process was one of gaining research experience and learning how to handle qualitative work.

3.7.1.2. Formal data analysis

Later, the collected audio data were transcribed into a textual format, which resulted in 214 pages of text (Times New Roman, font size 12, single spacing). As noted by Basit (2003: 143), often in qualitative research, to ensure the quality of work and not to lose data richness, the data collector and analyst is the same person. Therefore, I transcribed and analyzed each interview conducted for this dissertation myself. Although this was a very time consuming process, it was rewarding as it enabled the data to be learnt in every detail. Whenever possible, this was enacted on the same day that the interview had been conducted. Each interview was transcribed in full and, therefore, the transcripts represent the conversations verbatim, including pauses and moments of hesitation. The initial analysis was conducted during this transcription process; parts of the text that seemed relevant for a certain topic were underlined or highlighted in different colours.

Because the interview transcripts and field notes represent raw data in the form of unreduced and unsystematic text, further data analysis aimed at building various data display formats to reduce data volume. Data reduction is “a form of preliminary analysis, which refines, iterates, and revises frameworks, suggests new leads for further data collection, and makes data more available for final assembly into case studies and cross-site analysis” (Miles, 1979: 593). In this research, it included within-case and cross-case displays, matrixes, tables, and networks in order to establish classes of phenomena, patterns, common

themes, and categories in the data (Miles, 1979; Miles and Huberman, 1994). For instance, I selected quotes from an interview that related to a certain theme; then, I compared them with quotes on the same theme from another interview. The themes from the data are presented in the Table 9. Later, the quotes were grouped into matrixes or tables. The ‘distilled’ data were more organized and easier to interpret. Also, I extensively used network displays to help identify the networks of each member in the entrepreneurial teams.

The collected data also included secondary sources in the form of public information from the firms’ web pages, advertising material, and internal reports and presentations. Being aware of the context specific nature of these secondary data (Foster, 1994), they were analyzed to strengthen the final results of the studies. For instance, I used them to double-check information gathered during the interviews when analyzing the data (e.g., names of business partners or the partner companies; events in the companies’ time lines). Some elements of qualitative content analysis were also employed, meaning that the number of times certain words appeared in the text was not counted but, instead, parts of the text were selected and related to specific themes and categories derived during the analysis of the primary data (Harris, 2001). For instance, I analyzed the leaflets produced by the firms for industry exhibitions with regard to the aim of networking and positioned them in the ‘Networking’ category.

Table 9 The themes from the data collected for Essays 2 and 3

Theme	Sub-category	Theme derived from data/literature
Entrepreneurial team	Members; nature of acquaintance; functional roles	Literature; data
Nature of relations	Formal (contract based, business); informal (friends, family members) Direct or indirect (through a third party)	Literature
Network change	Unchanged; more formal, more informal; growing number of contacts	Literature; data
Networking activity	Establishing relations; Maintaining relations	Data
Networking skills	Communication skills; open mind	Literature; data
Resources from relations	e.g., financial support; image; emotional support; access to other networks; trust; market knowledge	Literature
Institutional support	Entrepreneurial organizations; Business incubators	Literature; data

3.7.2. Analysis of the data for Essay 4

3.7.2.1. Informal data analysis

In the study of Essay 4, the preliminarily data analysis began during the interviews in order to distinguish the causal and effectual types of entrepreneurial networking in the data, and focus further questions on the latter. This was also implemented to avoid the bias of seeing only effectual logic in the networking activities of entrepreneurs. Likewise in the studies for Essays 2 and 3, notes were taken regarding the author’s immediate reflections and to clarify points that needed more specification. Similarly, I also used summary sheets to track the data collection process. I also learnt, from earlier interviews, how to deal with difficult

situations that occurred during the conversations. Because the procedures were the same as in the studies for Essays 2 and 3, further lengthy descriptions will be avoided here.

3.7.2.2. *Formal data analysis*

The interview transcription process was the same as in the studies for Essays 2 and 3. The transcripts represent 98 pages of text (Times New Roman, font size 12, single spacing). Similar data reduction procedures and analysis of the secondary sources was also employed. The themes and sub-categories derived from the reduced data are presented in Table 10.

Table 10 The themes from the data collected for Essay 4

Theme	Sub-category	Theme derived from data/literature
Entrepreneurial networking	Establishing relations; Maintaining relations	Literature; data
Intended (causal) networking	Network plan; network strategy; network goal; network coordination; partner selection; network position; trust and commitments; risk and uncertainty	Literature; data
Unintended (effectual) networking	Unexpected relation; relations without clear purpose; uncoordinated networking; network vision; self-selection of partners; network co-creation; trust and commitments; risk and uncertainty	Literature; data
Change in networking	More planned; more goal oriented; more spontaneous	Literature; data

3.7.3. *Analysis of the data for Essay 5*

3.7.3.1. *Informal data analysis*

The procedures for the informal data analysis were the same as has been described for Essays 2 and 3. To avoid repetition, specific details will therefore be omitted.

3.7.3.2. *Formal data analysis*

The eight interviews with respondents from firm F6 were conducted and transcribed by the department research assistant. To ensure the quality of the transcription, the interview records were requested and the author went through the transcribed text while listening to the tapes. This enabled a better understanding of the data. The rest of the interviews for Essay 5 I transcribed myself. In total, the transcripts resulted in 183 pages of text (Times New Roman, font size 12, single spacing). The rest of the data analysis procedures were the same as in the study for Essay 4. Table 11 shows that the themes and the sub-categories developed from the collected data are almost similar to those from Essay 4; the only difference being the theme on internationalization.

Table 11 The themes from the data collected for Essay 5

Theme	Sub-category	Theme derived from data/literature
Entrepreneurial networking	Establishing relations; Maintaining relations; Problems with relations	Literature; data
Intended (causal) networking	Network plan; network strategy; network goal; network coordination; partner selection; network position; trust and commitments; risk and uncertainty	Literature; data
Unintended (effectual) networking	Unexpected relation; relations without clear purpose; uncoordinated networking; network vision; self-selection of partners; network co-creation; trust and commitments; risk and uncertainty	Literature; data
Change in networking	More planned; more goal oriented; more spontaneous	Literature; data
Internationalization	Reasons to internationalize; internationalization decision; country choice	Literature; data

3.7.4. Using NVivo for the qualitative data analysis

In the data analysis process for Essays 4 and 5, software applications for qualitative data analysis, such as NVivo, were employed. Numerous authors report on the advantages of using these programs stating that data analysis becomes less time-consuming, it is easier to retrieve and connect different data segments, and, in general, data analysis is more organized and transparent (see e.g., Richards, 2002; Bourdon, 2002; Gibbs, 2002; Johnston, 2006; Dean and Sharp, 2006; Bazeley, 2007). However, there is still an ongoing debate on whether software applications really add value to qualitative data analysis or whether they just provide “a label with which to convince sceptical positivists of the rigour of inductive research techniques” (Blismas and Dainty, 2003: 455; Basit, 2003).

Although some authors recommend combining manual and electronic methods of qualitative data analysis (e.g., Welsh, 2002), I found electronic analysis to be less useful than performing the task manually and, consequently, parts of the NVivo analysis were not incorporated for of several reasons. First, the perceived distance from the data gave me an impression that lost its richness. As reported by Silverman (1993), Seidel and Kelle (1995) and Gilbert (2002), using software applications for qualitative data analysis may not enable a close involvement with the data and may make the analysis too fragmented, standardized, and mechanistic. I also felt that NVivo actually hindered rather than aided the analytical process. Perhaps, it had to do with the focus on the process that I had in my research; and process is still hard to capture with coding and hierarchical trees provided by the analysis in NVivo. Second, the way NVivo coding works, organizing nodes into hierarchical trees, imposes a certain path of analysis that restricted my intuition and own ways of managing data. Therefore, I often had to revert to my manual analysis. In this regard, Blismas and Dainty (2003) have a similar observation. They state that qualitative data analysis with computer applications follows a given route and restricts researchers from using the diversity of other available analytical approaches. Hence, while aiming to add neutrality and methodological rigour to research, it may make the results weak and unreliable. Also Crowley, Harré, and Tagg (2002: 194) indicate that the incorporation of software packages

influences the analysis; for instance, “the order in which coded text is presented for inspection may well impact on the researcher’s perceptions.”

Also, I did not use software packages for analyzing network relations, such as UCINET. First, this research focuses on processes inside networks and does not look at their quantifiable static characteristics (e.g., centrality; density; distance between actors), for which UCINET is a good software application. Second, this research was undertaken within the constructivist paradigm through qualitative methodology. Thus, it seems inconsistent to analyze qualitative data with quantitative tools. For instance, Gephart (2004: 455) does not agree with the idea that quantitative analysis of qualitative data is qualitative research; he states that “quantitative analysis of qualitative data requires data to be quantified, and hence this is qualitative research.”

3.7.5. Unit of analysis

Identifying the unit of analysis in network research has been acknowledged to be rather problematic. According to Halinen and Törnroos (1998), network research commonly has three approaches to defining the unit of analysis. First, in the actor-network approach, the unit of analysis is a focal actor (i.e., individual or organization). Second, in the dyad-network approach, it is the dyad or relationship that is analyzed. Third, in the micronet-macronet approach, the unit of analysis is a small net of actors. In their later article, Halinen and Törnroos (2005: 1289) distinguish a fourth intranet approach where the unit of analysis relates to “the internal networks of big national or global corporations composed of several business units.”

Although it is possible in a qualitative study to incorporate several units of analysis (Patton, 2002), in the four empirical essays included into this thesis the choice of the unit of analysis has followed the first approach. Therefore, it is the entrepreneur who is in the centre of analysis. This choice has been driven by the overall focus on the process of entrepreneurial networking in this dissertation, which implies that a focal actor or entrepreneur is an active and vigorous agent in the relationship establishment process.

In Essays 2 and 3, however, an individual entrepreneur just represents the lower level unit of analysis. Greater attention is paid to the entrepreneurial team comprising several founding members. This complexity and multiple perspective on the unit of analysis remains in line with the embedded design of qualitative research because it allows for various views on the research problem (Yin, 1994).

In addition, despite the entrepreneur being the unit of analysis, Essay 5 discusses the networking of small and medium enterprises; however, there is no major contradiction on this point because in small entrepreneurial firms the individual and organizational levels are the same. For instance, Hite and Hesterly (2001) show that entrepreneurs’ networks overlap with the networks of their ventures. Also, Johannisson (1998: 300) indicates that “since the entrepreneur epitomizes the small firm and its physical and human resources, the individual and the organization as units of analysis coincide.”

3.8. Quality of the research

The quality of the scientific research is determined by its objectivity that has two components – reliability and validity, both of which are grounded in quantitative research within the positivist tradition (Golafshani, 2003). For qualitative research in social sciences, the “rules of the game” become less clearly defined (Van Maanen, 1998; Bochner, 2000) because there are no specific “formulae, algorithms, or criteria for producing good qualitative research”

(Gephart, 2004: 454). For instance, reaching objectivity is challenging because it requires the absence of personal and cultural biases (Kirk and Miller, 1986; Kvale, 1989: 31), which is inconsistent with the paradigmatic assumptions of qualitative studies. Kvale (1989) and Healy and Perry (2000) stipulate that the credibility of qualitative research should be evaluated within the relevant epistemological context and with the vocabulary of the paradigm to which a researcher adheres. Hence, for example, the validity of the study within the interpretive tradition cannot be judged through a positivist view. In line with this discussion, there are numerous opinions stating that reliability and validity are irrelevant for qualitative research because they do not intend to test hypotheses and be replicable (e.g., Seale, 1999; Stenbacka, 2001; Cho and Trent, 2006). This is particularly true for qualitative studies on networks as they have purposefully uncontrolled conditions, flexible research design, and changing variables (Wasserman and Faust, 1994: 58). Therefore, the quality criteria for qualitative research need to be reconsidered.

There have been several efforts to establish sets of criteria for evaluating qualitative research (see e.g., Creswell, 2007; Tracy, 2010). However, in this thesis, the criteria employed, suggested by Lincoln and Guba (1985) and Denzin and Lincoln (2000), have been recognised as the fundamental standards in assessing qualitative research (Morse et al., 2002: 14). The authors suggest that trustworthiness of a qualitative study, as opposed to objectivity in a quantitative search, can be established if it meets the four criteria. Since the procedures ensuring the quality of research were similar in the four empirical studies, they will be covered in this subsection.

First, *credibility*, as opposed to internal validity in quantitative search, shows that findings from a study reflect the ‘truth’ from the participants’ perspective and are interpreted through their eyes. As suggested by Miles (1979) and Ali and Yusof (2011), in all four empirical studies the summaries of the interviews with the most important quotes were sent to the interviewees via e-mail with requests for feedback. Only four interviewees out of twenty in the study for Essays 2 and 3 provided feedback. Regarding Essay 4, five out of eight interviewees provided feedback. Also, in the study for Essay 5, feedback was received from seven out of the eighteen interviewees. Although the level of feedback was rather low, I obtained further clarifications, revisions, and additional information from some participants. Usually, this additional information was in the form of e-mail responses or reviewed text documents with tracked changes. Interestingly, these additional comments and revisions were not “rewriting history” (Miles, 1979: 597) but providing complementary information that did not contradict the data obtained earlier.

Also, in this thesis, credibility is attained through *triangulation* (Gummesson, 2000: 142; Marshall and Rossman, 1999: 194; Yin, 1994: 91). Triangulation means “combination of methodologies in the study of the same phenomena or programs” (Patton, 1990: 187). Stake (1995) and Patton (1990) distinguish four types of triangulation: 1) *Data source triangulation* relates to collecting data from different sources in order to discover the same phenomenon under different conditions, and to catch the variety of possible meanings. In the four empirical studies included in this thesis, I have used multiple-case study strategy to ensure that the phenomenon of entrepreneurial network creation is studied in a variety of circumstances. Also, in each case firm where data access allowed, I interviewed several founders to discern the overall picture of the companies’ networks. In addition, the incorporation of secondary data provided triangulation and increased the credibility of the primary data obtained from the interviews (Insch, Moore and Murphy, 1997; Cowton, 1998). 2) *Investigator triangulation* refers to the involvement of several researchers, advisors, or evaluators of the study process. Concerning the format of this research, this was achieved through the constant consultancy of the internal and external supervisors. Also, the five essays included into this thesis have been presented at research seminars, conferences, and workshops, and have been subject to a peer review process in academic journals. In addition, the two assigned examiners have checked the manuscript, which has been corrected

according to their recommendations. 3) *Theory triangulation* means the employment of different conceptual approaches to analyze and interpret the collected data. In this thesis, the phenomenon of entrepreneurial networking has been examined through the lenses of different network theories that follow the predictive and non-predictive logic of reasoning. 4) *Methodological triangulation* relates to the application of several methods and techniques. As has been described, a semi-structured interview was the primary method of data collection in the four empirical studies. Additionally, I incorporated various documents as secondary sources (Stake, 1995; Patton, 1990).

Second, *transferability* criterion, as opposed to external validity in quantitative search, indicates whether results from the study apply in other contexts. This criterion is usually achieved through making thick descriptions of phenomena both in details and situational contexts. As Subsection 3.6. regarding the data collection shows, during the interviews conducted for the present research, the respondents were asked to describe their networking activities through the different stages of venture development, with particular attention being given to its changing context. Specifying questions to get more detailed information were also asked.

Third, *dependability*, as opposed to reliability in quantitative search, means that under conditions on non-replicability, and often serendipitous discoveries of qualitative study, a researcher should report all choices and changes in the study context in order to be transparent (see also King, Keohane and Verba, 1994: 6-9; Bansal and Corley, 2011). The procedures of data access, data collection, and data analysis employed for this dissertation are recorded and have public access. For instance, if requested, the transcripts of the interviews used in Essays 2, 3, 4, and 5 are available, with the exclusion of those interviews with respondents who demanded confidentiality. However, a number of internal documents belonging to some firms cannot be disclosed. Also in each study, I maintained a research diary where I described various procedures for the case studies, the sequence of interviews, and other important research observations that I found important. In addition, I took notes during the interviews and interview analysis that can be made available, if needed.

Fourth, *confirmability*, as opposed to objectivity in quantitative search, assesses whether the study results can be supported by data and confirmed by others. This criterion can be met by various triangulation techniques. With regard to this dissertation, these techniques have already been mentioned above.

As recommended by Lincoln and Guba (1985), I endeavoured to conduct the research avoiding biased conclusions derived from prior expectations or prejudices; although there are some natural biases that could not be avoided and thus have to be reported here. First, when I collected the data for Essays 4 and 5 I was visibly pregnant and I felt that some of the interviewees were uncomfortable in this situation. For example, I had a feeling that one respondent tried to answer my questions very quickly to shorten the interview and avoid tiring me. The other bias relates to cross-cultural aspects of the research, which will be covered further in the next sub-section.

3.8.1. Some cross-cultural aspects of the research

Essays 2 and 3 deal with the comparison of entrepreneurial networking between Russian and Finnish founding teams. The nature of this study strategy implies conducting cross-cultural comparative research (Hantrais, 2009), which assumes maintaining equivalence and comparability of the gathered results (Schaffer and Riordan, 2003; Salzberger and Sinkovics, 2006). While the topic of equivalence is widely discussed in relation to cross-cultural quantitative research, it has attracted less attention with regard to cross-cultural qualitative studies.

Polsa (2007) stipulates that comparability in cross-cultural qualitative research can be reached through maintaining several equivalences. First, *conceptual equivalence* implies that “concepts can be meaningfully examined in the same context in two different cultures” (Polsa, 2007: 4); although they do not have to have exactly the same meaning because differences in understanding the concepts may lead to unexpected novel results. In Essays 2 and 3 of this thesis, the central concepts are networks and networking. In order to establish equivalence in understanding the notion of networks, the interviews began with an explanation of what is understood by networks. However, to leave room for the respondents’ personal interpretations I asked if they had some different understanding of networks. Establishing equivalence in understanding the concept of networking was more challenging because there is no such word in the Russian vocabulary that can be directly translated as ‘networking’. Coping with this linguistic issue, I followed the same strategy employed by Johanson (2011: 517) in his study of Russian business networks; quite a lot of time during the interviews was spent clarifying the English meaning of networking with the employment of such terms as “establishing business relations”, “partnership building”, or “creating new business contacts”.

In attempting to achieve conceptual equivalence it is possible that some bias was created by the language used in conducting the interviews for the four empirical papers. While the Russian entrepreneurs were interviewed in Russian, the interviews with the Finnish business founders were conducted in English, which was not their mother tongue. Thus, both the interviewer and the respondents experienced a “mutual linguistic challenge by operating in a non-native language” (Welch and Piekkari, 2006: 422). However, because I am fluent in both Russian and English, there was no need for translation when preparing the interview guides. In an attempt to minimize the effect of this bias interview guides were sent to the respondents in advance that they could familiarize themselves with the topic. As suggested by Welch and Piekkari (2006: 429), I also used frequent clarifying questions and less complex expressions. In general, the respondents had an adequate command of English, and there were no difficulties or misinterpretations during the interviews.

Second, *functional equivalence* supposes “similarity in goal antecedents and outcomes of the same behaviour in different cultures” (Polsa, 2007: 5). As with the case of conceptual equivalence, functional equivalence was established through the provision of an explanation of the purpose of the networks and networking activities, and asking the interviewees about possible different interpretations. Also, looking at the overall process of networking enabled examination of how each respondent understood the goal of establishing new business contacts.

Third, *sample equivalence* means that the sample selection is similar in both cultural settings; however, the samples do not need to be identical but should be “relevant and suitable for the aims” (Polsa, 2007: 6). In the studies of Essays 2 and 3, the purposeful sampling strategy in both national settings was employed. However, it was also important to have appropriate access to data in order to make the whole dissertation achievable. As was mentioned in Subsection 3.5.1., there were some differences in gaining appropriate access to Russian and Finnish firms. I used many family relations to gain access to the data from Russian firms. The reason for using these very personal connections was to build trust before collecting the data. Being of Russian origin, I naturally understood that this was the correct way to conduct this study in order to obtain richer and more credible data. Later, it was found that this tactic is also recommended by Johanson (2011: 515). However, even in a situation of a high level of trust, Russian interviewees showed some scepticism about taking part in the research, and demanded the project description and the interview guide before the interviews. After the requested documents were sent to them, what Johanson (2011: 517) refers to as a “What’s in it for me?” atmosphere appeared. Some interviewees wanted to have some kind of reward for taking part in the study, which made me feel uncomfortable for asking for a favour while offering nothing more than the results of the study in return. I got

the impression that they were disappointed as they felt that they had given their time for nothing worthwhile. Although this situation created a somewhat unpleasant atmosphere, it did not affect the interviews themselves because the issue of ‘a reward’ was not raised until after the interviews were completed.

Gaining access to the Finnish firms was faster and easier despite the fact that by the time of the data collection I had only spent two years in Finland, did not speak Finnish, and regarded myself as a foreigner and an outsider in the country. Finnish interviewees were willing to share information and in some situations regarded it as a privilege to participate in an academic research project. My explanation for this is that it is more common for Finnish companies to participate in different studies and be open to those who show an interest in them, and, because a lot of information about businesses in Finland is public knowledge, there is no atmosphere of secrecy and suspicion. Generally speaking, I felt more comfortable while conducting the study with the Finnish firms than with the Russian ones, although the opposite might have been expected.

Fourth, *contextual equivalence* relates to “a cognitive and sometimes even an emotional process that a respondent goes through while responding to questions” (Polşa, 2007: 7). In the process of conducting the interviews for Essays 2 and 3, this equivalence was reached by choosing respondents with similar experiences (being a co-founder of a new venture), sharing the similar verbal context because of the same interview guide used for all the interviews, and the same physical context where the interviews were conducted. Because it was comfortable for the respondents, the interviews were held at their companies’ premises.

Fifth, *researcher equivalence* and data analysis equivalence refer to the same researcher or research team that collects and analyses the data (Polşa, 2007: 8). In this regard, these equivalences were the easiest to achieve because it was solely me who conducted the interviews and analyzed the data obtained. However, there might be a bias due to the perception of my status by the Russian and Finnish respondents. While Russian entrepreneurs treated me as a native person for talking in Russian, Finnish business founders could treat me as a foreigner for speaking English when interviewing them.

Finally, *response equivalence* means that the respondents answer the interview questions in a similar manner (Polşa, 2007: 9). Perhaps, this type of equivalence was the most difficult to attain. Because of the difference mentioned above in understanding the notion of networking in Russian and English languages, and the relative unwillingness of Russian interviewees to share information, the style of response from the two countries’ interviewees was different. In general, the answers of the Russian managers were shorter, and, following the experience of Johanson (2011: 509), a lot of additional questions had to be asked to elicit satisfactorily rich information. For instance, I used the specifying questions such as ‘Can you tell me more about...?’, ‘What do you mean by...?’, ‘Can you elaborate on...?’. These questions enabled more or less an equal amount of data to be obtained from both the Russian and Finnish firms. Also, response equivalence was enhanced by having face-to-face contact with all the respondents to intensify the interaction and conduct the interviews in accordance with the interview guide.

3.8.2. Studying entrepreneurial networking through the case study strategy

In general, network research lacks methodological literature (Halinen and Törnroos, 2005; Piekkari, Plakoyiannaki and Welch, 2010), and there is no conventional methodological approach to studying networks (Fombrun, 1982; Jack, 2010). Scholars explain this methodological drawback by the overall complexity of capturing network phenomena. For instance, network research is relatively restricted because the ties are intangible and illusive (Johannisson, 1986), and “...neither the links nor the networks per se are the unit of

analysis” (Iacobucchi and Zerillo, 1996: 407). Also, often connections are formed irrationally through coincidence and are dependent upon an actor’s personality (Johannisson, 1986). The overall network view implies that actors are not autonomous units but involved in different interdependent relations (Wasserman and Faust, 1994; Scott, 1991) that can result in the complex overlap of different networks in which an actor is involved (Johannisson, 1986).

The only visible trend in network research relates to the dominant preference of quantitative techniques that can capture structural features of patterned relations but leave network dynamics understudied (Hoang and Antoncic, 2003; Parkhe et al., 2006). Therefore, numerous authors call for a higher diversity of methods and techniques of researching network relations that can be reached through conducting more qualitative studies (Slotte-Kock and Coviello, 2010; Jack, 2010). While qualitative methods have the benefit of moving closer to the unit of analysis and outlining the contextual characteristics of networks (Jack, 2010), they also have difficulties.

Hallinen and Törnroos (2005: 1287) list several challenges that researchers may face when studying networks through case studies. Since the present thesis is based on several multiple-case studies, I also had to cope with some of these listed problems. However, being aware of these challenges prior to the data collection phase enabled me to prepare for the difficulties beforehand in order to simplify subsequent data analysis. According to Halinen and Törnroos (2005) the first problem of studying networks through a case study method relates to the difficulty of defining network boundaries and separating the content and context of the network. Because the focal attention in the four empirical essays of this dissertation is on the entrepreneur (or a team of entrepreneurs) as the proactive network builder, the network boundaries were defined through the concept of a network horizon (Anderson, Håkansson and Johanson, 1994; Holmen and Pedersen, 2003; Liere and Koppius, 2007: 35), or the egocentric view of the extent of an entrepreneur’s network. Thus, during the interviews the entrepreneurs were asked about their direct and indirect relations until no more important ones could be named.

The second challenge of network research relates to the network complexity (Halinen and Törnroos, 2005), which is particularly true for entrepreneurial networks because by definition they include various business and social, formal and informal relations of different intensity and content. Therefore, there is a risk of neglecting some hidden but important connections. To cope with this problem, I followed the advice of Halinen and Törnroos (2005: 1290) who propose acquiring information from several informants. If the studied case firm had more than one founder, I interviewed all the entrepreneurs in the team in order to get as complete a picture of the firm’s network as possible. In order to distinguish different relations (e.g., family ties; business ties), I asked the interviewees to draw a diagram of their networks using different specifying colours.

The third problem of studying network relations relates to the importance of the time aspect of network dynamics and the need for more process research (Halinen and Törnroos, 2005). For the present dissertation, this issue has not been treated as a problematic one because the primary research goal is to study the process of networking. In order to capture patterns in network evolution, Halinen and Törnroos (2005: 1291) advise conducting progressive longitudinal research or event based studies. However, given the time span for the doctoral studies in Finland, I have not planned to conduct follow-up or longitudinal research. I followed the third option of conducting event-sampling studies, which also remains in line with Steyaert (1998) who suggests that entrepreneurial processes can be studied through focusing on events. Thus, the founders and managers of the firms under study were interviewed about certain events in the development of their companies (e.g., getting the first ideas of future business; pre-startup phase; inception; first internationalization). Further, they were asked how these events triggered the formation of their entrepreneurial networks,

how they changed existing relations, or provided certain trajectories for the network development.

The last challenge of studying networks through case studies relates to the difficulties of case comparison as each network context and history is unique (Halinen and Törnroos, 2005). This problem is essentially relevant for the present dissertation because it is based on multiple cases and their cross-comparison. Dealing with this problem I followed authors' advice to develop a tight theoretical framework that would establish common points of comparison. The established theoretical background enabled the collection of data on certain common topics and later to make the case comparison around these topics. Overall, the complexity of studying entrepreneurial networking in this thesis relates to the challenges of capturing both complex network relations and the process of their formation.

4 FINDINGS FROM THE ESSAYS

This section provides the summaries of the results of each essay in order to show how they have addressed the research questions stated at the beginning of the thesis. It also indicates how each essay is positioned in relation to the earlier research within the respective fields to which they contribute.

4.1. Essay 1

Conceptualizing effectual networks

Tamara Galkina

Published in 2012 in the proceedings of the 22nd Nordic Workshop on Interorganizational Research

The aim

The conceptual Essay 1 addresses the phenomenon of entrepreneurial network relations formed without a given goal or strategic intent, and identifies them as effectual networks. It aims at their conceptualization by distinguishing them from other types of network in order to show their discrete nature.

The findings

The conceptualization of effectual networks as a discrete type of non-goal oriented relationship system is achieved by comparing them with business and strategic networks, social networks, and entrepreneurial networks. The comparison is made around the network constructs of coordination, trust, timing, uncertainty, and risk. It reveals that the three received network approaches – business network approach and its strategic network view, social network approach, and entrepreneurial network approach – follow the goal driven logic of reasoning and, in fact, have more in common than in difference. All of them represent relatively stable, long-term oriented, purposeful systems of relations between trusted partners, at the social and/or business level, that aim to reduce risks and uncertainty.

In this regard, effectual networks stand out and represent means driven partnerships based on non-predictive logic. Based on the four effectuation principles, the paper defines effectual network as “an informal network of interpersonal and interorganizational relations of a focal actor who forms it through the effectuation principles of means driven action, interactions with all interested stakeholders, affordable loss, and leveraging contingencies”. This definition is process-specific rather than structure-specific; it emphasizes that conceptualization is not made around the actors that form the effectual network but around the process of how they get involved in it. This focus is adopted due to the inability of actor-specific characteristics to differentiate effectual networks as a discrete type of relationship system. For instance, the criteria for making pre-commitments and being involved in a new venture process are not sufficient. Thus, pre-commitments can also be found in causally created strategic networks (Chandler et al., 2011), and actors who are not involved in a venture process may form an effectual network (Fischer and Reuber, 2011).

The essay also provides the process model of effectual network formation. It implies that entrepreneurs who network effectually start from the means set comprising network identity, network competence, and existing contacts. Later, these means are employed for further interactions with any and all interested stakeholders who, through these interactions,

form the chain of interactive effectual commitments that in turn form an effectual network through the self-selection mechanism (Sarasvathy and Dew, 2005; 2008; Sarasvathy, 2001; 2008: 105; Read et al., 2009: 293; Wiltbank et al., 2009; Dew and Sarasvathy, 2007: 275; Dew et al., 2011).

Table 1 in the paper summarizes that, unlike business, social, and entrepreneurial networks, effectual networks are not coordinated but co-created and self-selected through the intelligent-altruism principle. Although they are also based upon an existing previous relation, the actual actors of the immediate reality are also important because they create room for more opportunities in the future. Although it can be found empirically, trust is theoretically inapplicable to effectual networks because it implies certain expectations over, and prediction of, a partner's behaviour. Similarly, risk is an irrelevant construct for effectual networks; instead the principle of affordable loss is applied. Finally, uncertainty is perceived as a positive condition in effectual relations because it leverages unexpected outcomes and increases new opportunities.

Positioning of the essay and contribution

Essay 1 can be regarded as standing at the intersection of the two study areas: network approach in Entrepreneurship and Effectuation. Hence, presenting effectual networks as a new distinct type of entrepreneurial relation pluralizes entrepreneurial networks and thus contributes to understanding their complexity. Also, this conceptual work helps to progress the infant effectuation research because currently the constructs of strategic alliances, commitments, and entrepreneurial interactions represent quite debatable issues in this area (Chandler et al., 2011; Perry, Chandler and Markova, 2011).

4.2. Essay 2

Entrepreneurial network creation: Using formal and informal relations of entrepreneurial team members in Russia and Finland

Sören Kock and Tamara Galkina

Published in 2008 in *Perspectives on Marketing*, Larimo, J. & Huuhka, A. (eds). Vaasan Yliopiston Julkaisuja, Vaasa, pp. 267-294.

The aim

Building on the difference between the concepts of entrepreneurial networks and entrepreneurial networking, the article aims to explore how entrepreneurial teams use their formal and informal relations in the process of purposeful entrepreneurial networking. Applying the resource-based view, the objective is to examine how the networking activities of founding team members contribute to the overall entrepreneurial network of their ventures. In addition, the study compares entrepreneurial networking in the two national contexts of Russia and Finland.

The findings

Linking together the resource-based view and the process based view on networks, the article suggests that the proactive and purposeful establishment of new entrepreneurial contacts has a different intensity through the phases of the venture development – conception, commercialization, and growth. However, the findings from the three Russian and four Finnish case companies show that creation of new relations is just one of the processes of entrepreneurial network formation.

It has been revealed that at the phase of new venture conception entrepreneurs employ existing informal relations with friends, former colleagues, and family members. Therefore, it cannot be termed the creation process but an activation of previously acquired ties. In this sense it is argued that an entrepreneurial network exists before the actual startup, and entrepreneurs do not start the actual venture process before they have a reliable network. Also, at this stage, the level of informality of relations is rather high in both Russian and Finnish founding teams.

Subsequently, in the commercialization phase when the first-round relations are employed, the active creation of new contacts begins. This is often achieved through visiting various exhibitions, seminars, conferences, other industry events, a simple web search, telephone negotiations, or different advertising methods. It has also been revealed that the studied founding teams had a so-called network champion – an entrepreneur who was the most active in building new business relations. The data suggest that the formality of entrepreneurial networks increases at this stage because the startup firms begin to use contractual agreements, and the founders act not at the individual level but on behalf of their firms.

Later, in the growth phase the entrepreneurs already have some workable established network and have to maintain the relations within it; therefore, they cannot spend much time on actively seeking new contacts. However, the networks themselves begin to evolve through the mechanism of recommendations. In other words, the entrepreneurial networks are not purposefully created anymore but develop through a self-organizing mechanism without the control of the entrepreneurs. In addition, the formality of relations at this stage is higher than at the previous stage.

Although informal relations are present in both the Russian and Finnish entrepreneurial networks, the Russian founding teams still play a central role due to the ‘blat’ networks (relating to an alternative social mechanism, an informal barter system within personal networks where favours, gifts, and money are exchanged and through which status is attributed) and the ‘otkat’, or ‘kick-back’, mechanism (understood as an indirect bribe in a form of commission that a manager receives from a supplier for signing a contract) of obtaining new business partners. This prevalence of informal relations can also be explained by the poor support of entrepreneurial initiatives by Russian state organizations.

Positioning of the essay and contribution

Essay 2 is positioned at the intersection of the network approaches in Entrepreneurship and International Entrepreneurship (IE). The proposed process model that describes the phases of entrepreneurial networking occurring through the venture development responds to numerous requests to research entrepreneurial networks from the process perspective (Hoang and Antoncic, 2003; Parkhe et al., 2006: 563; Jack, 2010) and thus enriches the area of network studies in Entrepreneurship. The essay also responds to calls for more context-specific studies on entrepreneurial activities (Welter, 2011) and extends the knowledge within the IE field by contextualizing entrepreneurial networking and placing it into Russian and Finnish national settings.

4.3. Essay 3

The influence of entrepreneurial infrastructure on entrepreneur networking: A comparative case study of Russian and Finnish founding teams

Tamara Galkina and Sören Kock

Published in 2011 in *International Journal of Entrepreneurship and Small Business*, 13(3), pp. 238-254.

The aim

This article aims to explore how macro-level entrepreneurial infrastructure influences the micro-level entrepreneurial networking of new venture founders. The relatively new term of entrepreneurial infrastructure is understood as 'facilities and services present within a given geographical area which encourage the birth of new ventures and the growth and development of small and medium sized enterprises' (Tan, Tan and Young, 2000: 1). It is based on the comparative multiple-case study of entrepreneurial teams from Russia and Finland. The study employs the process view on entrepreneurial networking and examines its characteristics over the three phases of venture development – conception, commercialization, and growth.

The findings

The results show that the main difference between networking activities of Russian and Finnish entrepreneurial teams relates to the different involvement of informal relations in their networks. Informal relations are equally present in the networks of both Russian and Finnish entrepreneurs. However, the intensity of their usage and their role are different. It has been revealed that Russian entrepreneurs mainly rely only on informal connections with friends, family members, or former colleagues. Some of the interviewees admitted that their businesses became possible only because of informal relations. The special phenomena of *blat* and *otkat* in Russia also demonstrate the prevalence of informal mechanisms in obtaining and maintaining business relations. Russian entrepreneurs do not make use of any help provided by state organizations or other institutions that support venture creation and growth; the reason being the lack of trust in state organizations and the unavailability of entrepreneurship supporting services. In the networks of Finnish entrepreneurs, informal relations are mainly represented by friendship ties; family relations are not well incorporated. Also, Finnish business founders rely strongly on formal relations with entrepreneurship supporting organizations (e.g., business incubators; science parks; venture associations) that facilitate venturing initiatives.

This difference in usage of informal relations can be explained by the different value and meaning of formal and informal relations in Russia and Finland. In Finland, formal contracts and agreements provide the main guarantee of trust and mutual obligations because they are protected by law. Conversely, in Russia where the state does not provide much support for entrepreneurial initiatives and where the legal system of regulating SME activities is underdeveloped, informal relations substitute formal rules and serve as the main mechanism of relationship reliability.

The study also indicates several similarities in the networking of Russian and Finnish entrepreneurial teams. Both of them demonstrate the tendency to increase the number of formal relations over the phases of commercialization and early growth. This has to do with over-utilizing first-round informal relations and also the legal establishment of businesses, which leads to them acting as juridical entities. Additionally, both Russian and Finnish firms started developing their networks indirectly through the recommendations of third parties.

Positioning of the essay and contribution

Essay 3 can be related to the two research areas: network approaches in Entrepreneurship and International Entrepreneurship. The contribution to the former is achieved through elaborating the concept of entrepreneurial infrastructure and showing how the micro-level of entrepreneurial networking at the level of a purposefully acting individual entrepreneur is influenced by the macro-level in the form of institutional policies. The comparison of

Russian and Finnish national settings also provides new insights into the IE field by contextualizing entrepreneurial networking.

4.4. Essay 4

Balancing the opposites: Causation and effectuation in the process of entrepreneurial networking

Tamara Galkina

Published in 2012 in the proceedings of the 22nd Nordic Workshop on Interorganizational Research

The aim

The paper builds on the statement that causal and effectual logics are intertwined in entrepreneurial activities (Sarasvathy, 2001; 2008). Therefore, the aim of the essay is to explore how goal oriented causal strategies are balanced with non-goal oriented effectual strategies in the process of entrepreneurial networking. The study follows a multiple-case study strategy and includes six entrepreneurial firms from Finland.

The findings

The results demonstrate that the establishment of new entrepreneurial relations is not always determined by the venture goal and resource needs. In some situations, entrepreneurs start networking by assessing the available means; in the network context they are represented by network identity (What I am), network competence (What I know), and existing relations (Who I know). With the stated goal in mind, causal entrepreneurs continue with the question ‘Where to network?’ and identify target network structures. Instead, effectual networking is not limited to predefined network arenas but implies networking with any and all interested actors. While causal networking assumes the careful selection of partners, effectual networking continues with the self-selection mechanism through which entrepreneurs form a chain of interactive commitments. Further, causal entrepreneurs begin to coordinate selected relations and try to obtain the most favourable network position in a network. Conversely, effectual networking involves co-creation through which partners shape, re-shape, and design the final goal of the venture and the structure of their entrepreneurial network.

The data demonstrate that the balance between the two modes of networking depends upon several conditions. In line with Wiltbank et al. (2009), it is found that under conditions of high uncertainty entrepreneurs are likely to follow effectual networking strategies. Also, consistent with Sarasvathy and Dew (2005: 548) and Sarasvathy (2008: 106) the data indicate that the early stages of the venture life-cycle influence the choice for more effectual networking. In addition, the findings help identify relationship content and entrepreneurial personality as being other factors that influence the preference for either causal or effectual networking strategies.

Positioning of the essay and contribution

Essay 4 stands at the intersection of the network approach in Entrepreneurship and Effectuation. The provided process model, showing how causal and effectual networking unfold in the entrepreneurial network, responds to calls to conduct more process based research on entrepreneurial relationships (Hoang and Antoncic, 2003; Parkhe et al., 2006: 563; Jack, 2010). However, unlike in Essay 2, the stages of networking process are not linked with the stages of venture development but represent steps of the networking activities

depending on the logic of an entrepreneur's reasoning and decision making. The essay also extends the effectuation research area which has mainly focused on effectual actions and has not demonstrated exactly how they are intertwined with causal strategies. By examining entrepreneurial networking as an example of entrepreneurial activity, this essay suggests other factors influencing the balance between the two logics.

4.5. Essay 5

Effectuation and the revisited Uppsala model: networking of internationalizing SMEs

Tamara Galkina and Sylvie Chetty

The earlier version of the paper was presented on the 2012 Academy of International Business Annual meeting in Washington DC, USA.

The latest version of the paper is published in 2012 in the proceedings of the 15th McGill International Entrepreneurship Conference

The aim

Essay 5 questions the conventional view in the International Entrepreneurship (IE) literature stating that the selection of foreign business partners is made after reaching a the decision on the country of internationalization, and that this selection is based on the objective information gathered with regard to foreign network structures (Oviatt and McDougall, 1994; Coviello and Cox, 2006; Manolova, Manev and Gyoshev, 2010). This scepticism is supported by the wide evidence showing that often internationalization decision making and international networking are non-rational (Lee and Brasch, 1978; Welch and Welch, 1996; Ellis, 2000; Ellis and Pecotich, 2001). However, this phenomenon has not attracted sufficient research attention because it is treated as a deviant case (Ellis, 2000) and cannot be explained by the logic of predictive rationality. The paper aims to apply the non-predictive logic of effectuation to the networking activities of internationalizing SMEs in order to explore how networking without predetermined goals can direct their foreign expansion.

The findings

The essay addresses the revisited Uppsala internationalization model (Johanson and Vahlne, 2009) that acknowledges the central role of network relations in the process of foreign expansion. Further, it compares the network constructs in the revisited Uppsala model with those in effectuation (Sarasvathy, 2001; 2008); although the authors of the revisited Uppsala model argue that it is consistent with effectuation theory. In line with this, the article shows the points of similarity between the two theories: both of them share a common problem space assuming Knightian uncertainty, goal ambiguity, and environmental isotropy; both are process theories; the key elements of the revisited Uppsala model – knowledge and firm's relations – are similar to the 'What I know' and 'Who I know' means in effectuation; network position is somewhat similar to the 'Who I know' component of an effectuator's means; commitments and opportunity creation are the primary focus in both theories.

However, the analysis shows that the understanding of trust, risk, uncertainty, and coordination in networks is significantly different. Overall, the revisited Uppsala model builds on the goal driven logic of bounded rationality regarding the conceptualization of network relations. Effectuation, in turn, understands network relations differently in that they follow means driven logic and thus cannot be coordinated; instead, they are co-created and self-selected. Trust, risk, and uncertainty avoidance are theoretically irrelevant

constructs for networks in effectuation; instead, they follow the principles of leveraging contingencies and affordable loss in order to increase the flow of potential opportunities.

The empirical evidence of this paper is based on the multiple-case study of six international SMEs from Finland. The results show that the studied firms did not follow any plan or goal in their networking activities and this, in turn, affected their overall internationalization process. They established relations with all interested partners in order to increase the variety of possible beneficial effects. Because these relations were not long-term oriented, the respondents could not describe them as trustworthy. However, they did not visualize the risks because the possible losses could not be estimated. Following the principle of leveraging contingencies, they did not try to reduce the uncertainty in these relations but remained open to unexpected surprising outcomes. In this situation, in order to maintain flexibility and not to restrict co-creation of new opportunities the studied SMEs consciously did not try to coordinate their networks.

Consequently, this effectual networking imposed certain effects on the internationalization process of the studied firms. In terms of decision making, the interviewed entrepreneurs found it difficult to distinguish an exact point in time when internationalization started. Instead, it was described as an organic and natural process of network expansion. Therefore, the geographical direction of internationalization was the secondary issue to consider; instead, the firms' internationalization was relationship driven. The results of the study aim to extend understanding of SME internationalization and show how effectuation logic can help complement the extant theories by finding explanations for the phenomena that were considered to be anomalies.

Also, applying the effectuation logic in the context of internationalizing SMEs suggests important implications for the theory of effectuation itself. Thus, the data indicate that effectual action does not only dominate in newly founded firms, as has been stipulated by Sarasvathy and Dew (2005); rather, it is conditions of high uncertainty that influence the prevalence of effectual reasoning.

Positioning of the essay and contributions

Essay 5 intersects the area of IE, and more specifically the network approach in it, with effectuation theory. The contribution to the IE field is specifically provided by this merger of the theories from International Business and Entrepreneurship. While the revisited Uppsala model does not focus on any specific type of internationalization, effectuation is proposed as a complementary theory that could explain the internationalization of small entrepreneurial firms. Also, the essay contributes to the effectuation theory by extending its principles into the internationalization context. The next chapter will describe the achieved contributions in greater details.

5 CONCLUSIONS AND IMPLICATIONS

The findings described above from the conceptual and empirical work conducted in this thesis have intended to provide more insights into the process of entrepreneurial networking and, mainly, its intended and unintended aspects. Ultimately, finding the answers to the questions posed in this dissertation would lead to even more new questions, which will hopefully trigger further scholarly research. This section outlines how each essay contributes to the previous research undertaken in the areas of network studies in Entrepreneurship, International Entrepreneurship and Effectuation. This is achieved through describing the theoretical, empirical, and methodological contributions of the essays and the recommendations for research. Also, the obtained results intend to be useful for business practitioners and policy makers; therefore, implications for practice are suggested.

5.1. Theoretical contribution

In this subsection, the theoretical contribution achieved in each of the five essays of the thesis and also the overall theoretical advancement made by bringing these five essays together into the dissertation is outlined.

Bansal and Corley (2011: 235) see theoretical contribution as “involving findings that change, challenge, or fundamentally advance our understanding of a phenomenon”. According to Whetten (1989), there are three aspects to which the theoretical contribution can be made. First, a contribution to the *What* and *How* of the theory by adding or subtracting factors from the existing models. Second, a contribution to *Why* of the theory by developing new causal explanations for underlying dynamics of What and How. Usually, this is achieved by “borrowing a perspective from other fields, which encourages altering metaphors and gestalts, or concepts of completeness, used in ways that change the underlying rationales supporting the accepted theories” (p. 493). Third, a contribution to *Who*, *Where* and *When*, or the temporal and contextual factors, of the theory that determine its boundaries of application can be made. For instance, a new setting may suggest why a theory does not work under certain conditions. The third way of contributing is closely related, but still different, to the empirical advancement. By placing the theory into a new setting, theorists should establish “a theoretical feedback loop” and “learn something new about the theory itself as a result of working with it under different conditions. That is, new applications should improve the tool, not merely reaffirm its utility” (p. 493).

In the present thesis, the theoretical contribution is achieved in two ways. First, it contributes to the *Why* of the entrepreneurial networking process. Examining that with the lens of effectuation contributes to the network research in Entrepreneurship because it enables new theoretical explanations for the unintended side of entrepreneurial networking to be found. Also, the emergent area of effectuation research can benefit from this approach. According to several scholars, it is precisely research on entrepreneurial interactions, pre-commitments, and alliances that will progress this study area and help it to gain intermediate status (Perry, Chandler and Markova, 2011; Chandler et al., 2011; Sarasvathy and Venkataraman, 2011; Venkataraman et al., 2012: 29). Thus, Essay 1 conceptualizes unintended relationship systems established without predefined goals as effectual networks by showing their discrete nature and differences from other goal oriented types of relationship system. This conceptualization enables the provision of a process based definition of effectual networks, the term that has been widely employed in the effectuation literature but which has not been clearly characterized. In addition, Essay 1 provides the model that describes the process of effectual network formation.

Essay 2 focuses on the intended process of entrepreneurial network creation. It suggests the process model of entrepreneurial network development where each stage represents different purposeful activity. This essay contributes to understanding the dynamics of networks in Entrepreneurship by linking these stages with the resource needs of new ventures.

Also, Essay 4 empirically explores how the two processes of intended causal networking and unintended effectual networking can unfold simultaneously in entrepreneurial relationship establishment. This study contributes to both understanding the complexity of the entrepreneurial networking process and to the effectuation theory by examining how causal and effectual strategies can be balanced within the same entrepreneurial activity. This evidence is important for advancing effectuation research because the extant studies in this field have mainly focused solely on effectual strategies, while effectuation theory states that both causal and effectual logic can be found in any entrepreneurial actions. By suggesting the process model that shows the balance of causation and effectuation in entrepreneurial networking, Essay 4 emphasizes that effectuation is more a degree than a category that is opposite to causation on a continuum. It also outlines the conditions under which effectual networking is more likely to be activated.

Further, Essay 5 contributes to the network approach in the International Entrepreneurship research area by including effectuation theory and exploring how effectual networking influences the process of SMEs' internationalization. This cross-fertilization of the study areas enables new interpretations of internationalization processes that used to be treated as deviant cases or anomalies (Ellis, 2000; Meyer and Skak, 2002). Because establishing new relations during internationalization can be regarded as a very entrepreneurial process, effectuation helps to explain foreign expansion of entrepreneurial firms and thus complements the existing internationalization theories and models. In addition, Essay 5 contributes to a very embryonic stream in effectuation research that applies effectuation principles in the internationalization context (Bhowmick, 2008; Mainela and Puhakka, 2009; Laaksonen, Ainamo and Karjalainen, 2010; Kalinic, Sarasvathy and Forza, 2011; Harms and Schiele, 2012). Placing effectuation into this context helps to understand effectual logic better and opens new avenues for advancing this theory further (for more on this see Subsection 5.5).

Making a theoretical contribution at the intersection of the study areas is recognized as a novel but challenging affair (Markóczy and Deeds, 2009; Okhuysen and Bonardi, 2011; Oswick, Fleming and Hanlon, 2011). Zahra and Newey (2009) state that there are three generic modes: 1) borrowing concepts from one field and superficially intersecting them with those of another; 2) borrowing concepts from one field and intersecting them with those of another in a way that extends one or more of the theories; 3) borrowing concepts from one field and intersecting them with those of another in a way that not only extends one or more of the theories but also transforms the core fields of which they are a part. According to Zahra and Newey (2009: 1063), this thesis follows the second mode of intersecting study areas and makes a medium theoretical contribution. For example, Essay 1 applies the network concepts of coordination, timing, trust, uncertainty, and risk to the context of effectual networks in order to show their discrete nature. This extension enables the conceptualization of effectual networks as a separate type of relationship system, which in turn enriches the effectuation study area. Also, Essay 5 extends both effectuation theory and network approach in IE by applying effectuation principles to the networking activities of internationalizing SMEs. Effectuation theory benefits from being positioned in the internationalization context, which extends the boundaries of its contextual application. Network approach in IE benefits from effectuation theory because it provides a new tool to explain internationalization through networks that has previously been regarded as abnormal.

Second, this dissertation provides a theoretical contribution to the *Who, Where* and *When* of the entrepreneurial networking process. The studies in Essays 2 and 3 position entrepreneurial networking in two national contexts, Russia and Finland, with the two empirical settings suggesting new insights into the theory. The comparison of Russian and Finnish contexts enables the depiction of the different degrees of importance attached to formal and informal connections in the process of entrepreneurial network building. Later in Essay 3, it is precisely the contextualization of entrepreneurial networking that enables its macro and micro dynamics to be linked, introducing the concept of entrepreneurial infrastructure, and exploring how it affects the business partnerships of the venture founders.

Corley and Gioia (2011) suggest another framework of evaluating theoretical significance of research. They claim that theoretical contribution can be made if research meets the criteria of *originality* and *utility* for science and practice. The present author agrees with the authors that it is difficult to judge “how much additional understanding must be provided to meet significance criterion” (p. 16). However, their matrices enable the assessment of the theoretical contribution of this thesis. The new contextualization of entrepreneurial networking described above classifies this research as one of an incremental originality. The comparison of the Russian and Finnish contexts does not offer any “critical redirection of existing views” but continues the current scientific discourse and extends existing ideas by adding new aspects (e.g., showing the different meaning of informality in entrepreneurial relations; developing the notion of entrepreneurial infrastructure). Perhaps, bringing effectuation theory into network research in entrepreneurship (Essays 1 and 4) and into IE (Essay 5) is more novel; however, it still falls under the category of an incremental originality. Although this intersection enables the discussion of effectual networks as a new network approach and gives new explanations of the unintended networking of business founders, it does not give revelatory insights or start an entirely new discourse in science. The utility of this research for science and practice will be assessed further below in Subsections 5.4. and 5.5.

While each essay in the thesis makes its own theoretical contribution, bringing these essays together in one dissertation suggests a theoretical advancement in its own right. First, it develops understanding with regard to the entrepreneurial networking process by comparing how it is viewed in the three study areas: Network approach in Entrepreneurship; Network approach in IE; Effectuation (see Section 2.7.). By comparing how these research domains interpret the level of analysis of entrepreneurial networking, the level of relations, the scope of networking, the dominant view on the process, the dominant activities of networking, and the outcomes of this process, this thesis shows that the network approaches in Entrepreneurship and IE have a similar understanding of entrepreneurial networking. The main difference relates to the primary networking activities because they occur in different contexts, domestically or internationally. This is mainly because they both view this process as an intended one. Second, adding the effectual network approach into the comparison enables the distinguishing of unintended networking processes and new ways of looking at the scope of networking, its process logic, main networking activities, and the results of this process. By suggesting the effectual network approach, this thesis pluralizes the existing views on the entrepreneurial networking process and opens new avenues for studying this phenomenon.

5.2. Empirical contribution

The empirical Essays 2 and 3 are based upon contrasting the entrepreneurial networking of Russian and Finnish business founding teams. The two contexts provide a beneficial basis for an empirical contribution for the following reasons. First, the interest towards the different nature of entrepreneurship in the context of transition economies explains the

relatively wide availability of academic literature on entrepreneurship in Russia (see e.g., Ageev, Gratchev and Hisrich, 1995; Smallbone and Welter, 2001; Aidis, Estrin and Mickiewicz, 2008; Zhuplev and Shtykhno, 2009). However, Finland as a national context for entrepreneurial networking has attracted less research attention. Finnish entrepreneurship has been mainly studied ethnographically focusing on Sami entrepreneurs (Dana and Remes, 2005; Dana and Light, 2011) without any specific focus on business relationship establishment. In general, Finnish entrepreneurship is introduced within a broader Scandinavian context (Johannisson and Mønsted, 1997).

Second, the Russian entrepreneurial climate is still recognized as highly challenging and unstable due to a turbulent economic and social environment (Batjargal, 2006; Johanson, 2011). For example, the 2010 Global Entrepreneurship Monitor report on Russia shows that a prevailing number of entrepreneurs sensed and experienced the worsening conditions for starting a new business, and described the market environment as being unfavourable for new entrepreneurial activities (Verhovskaya and Dorokhina, 2010: 14, 16). In contrast, the Finnish entrepreneurial climate is characterized as more stable and predictable (Okkonen and Suhonen, 2010). The 2010 Global Entrepreneurship Monitor report on Finland demonstrates that, despite years of economic recession, early-stage entrepreneurial activity is growing and the survival rate for new businesses is relatively high (Stenholm et al., 2010: 8-9). The comparison of the two contexts enables entrepreneurial networking in Russia and Finland to be outlined, and develops the concept of entrepreneurial infrastructure that links together the micro and macro levels of entrepreneurial partnering.

5.3. Methodological implications

This thesis intends to respond to calls for research on entrepreneurial networks from the process perspective (Hoang and Antoncic, 2003; Parkhe et al., 2006: 563; Jack, 2010), which is adopted in all the empirical papers. In addition, Essays 2, 3, and 5 respond to appeals to conduct more qualitative research in *International Entrepreneurship* (e.g., Coviello and Jones, 2004; Nummela and Welch, 2006). Conducting qualitative work with deep attention to the context of networking enables the following methodological contributions and recommendations.

Although networks and relations play a central role in Russian business, studies on this topic tend to be empirically weak (Johanson, 2011). Kuznetsova (1998) admits that, in conditions of an informal economy, studying Russian business relations becomes rather complex from the methodological point of view. Therefore, “if we want to increase our understanding of what is happening in these [transition] economies and markets, we need a method for capturing this complex process, or at least some aspects of it” (Johanson, 2011: 507, 501-502). Essays 2 and 3 compare the entrepreneurial networking of founding teams from Russia and Finland. This cross-national and cross-cultural aspect of the study adds additional challenges to this doctoral research. However, my experience and recommendations may hopefully be useful for other scholars wishing to conduct studies in these contexts. In the Russian context, I recommend to use the following research tactics.

I recommend searching for the companies for a study through close personal relations. The best situation would be if they are found through direct family or friendship ties. However, the case firms can also be accessed through indirect relations and recommendations. In this situation, it would be beneficial for a researcher to be introduced to the representatives of the firms in person. Close relations with the representatives of a studied firm would help to assure, at least to some extent, an insider position and would help to develop trust – an issue that is covered below.

Trust building is crucial when conducting research on Russian business (Johanson, 2011: 515). Also, trust is understood differently in Russia and in Finland. From my experience in Finland, establishing trustworthy relations with respondents virtually does not require almost any time because of the general presumption of trustworthiness; whereas, in Russia it takes longer time and effort because there is a general presumption of distrust – in Russia, one has to prove that he is reliable. This contextual difference of conducting research has to be acknowledged. Therefore, if time permits, it is better to spend some time in the company before moving to the data collection phase. This can help to overcome the situation of being an outsider and stranger, and to establish more personal relations. Talking about family, hobbies, or attending some corporate events may help to build more trustful relations between a researcher and the individuals under study. If the research topic does not involve collecting any sensitive or confidential information (e.g., financial data, strategy reports, trade secrets, patents), this should clearly be stated by the researcher. This transparency will create a more relaxed atmosphere because the researcher will not be treated as a potential threat to the company.

When conducting interviews, I would recommend using the Russian language even though nowadays many Russian business managers speak English. Using their mother tongue helps to establish a more trustful and relaxed atmosphere during the interviews. Again because of the trust building issue, it may also help to start an interview with some general but still personal questions. For instance, it may be a question of how the respondent got into the company.

Even in small Russian firms, vertical power relations between the top managers and other employees are rather strong. Therefore, it is more beneficial to make contact with the top managers as their authority can be employed to make other respondents less reluctant to share the needed information. They would feel obliged to take part in the study because of being told to by their boss.

When conducting process based research in Russia, an event based study is possibly the most appropriate method (Halinen and Törnroos, 2005: 1291). Conducting follow-up longitudinal research might be challenging because, in most cases, respondents agree to only meet once, twice maximum. It is therefore better to try to get everything from one long interview as a second interview might not happen, even if agreed by the respondent. If interviews need to be conducted with several persons, try to schedule them for the same day because, when the work is done quickly and efficiently, it creates less suspicion.

As has been described in the Methodology section, in many instances Russian respondents want to derive some benefits from participating in a study. Therefore, I suggest using some simple tactics of attracting them with some real tangible benefit. For example, it may help to arrange the interview during a lunch or coffee break where the interviewer pays the bill for a meal. This would establish an atmosphere of a reciprocal exchange where each side gets something from the interview.

As a non-native researcher who has conducted qualitative studies on Finnish entrepreneurial relations, I am also able to provide some methodological recommendations for those in the same situation.

In Finland, there are many public organizations that support entrepreneurial initiatives and business startups. They can be found in universities and business schools, in the form of entrepreneurship societies¹, or in local communities, in the form of incubators, technoparks,

¹ See, for example, Aalto Entrepreneurship Society (www.aaltoes.com) and Hanken Entrepreneurship Society (www.hanken.es.com)

or science parks². These organizations often arrange various public events where everyone interested can meet startup firms. In general, the entrepreneurship supporting organizations and new businesses involved with them want to be visible and, therefore, are very open to academic research. Hence, through these public organizations a researcher will have an appropriate access to case firms and data. Personal relations, of course, can equally be employed to find case companies. However, from my experience, I cannot say that finding firms through my personal network in Finland provided substantially better data access. Altogether, both informal and formal relations can be used to find companies for case study research in Finland.

Contrary to a widespread cultural stereotype that Finnish people are reserved and not talkative, I experienced interviews with Finns that were rather rich and full of content; although it should be mentioned that the silence between sentences and phrases was a little longer than it was with the Russian interviewees. However, this silence was not embarrassing and did not signify the end of communication. Conversely, it allowed the informants more time to reflect and, perhaps, provide additional information on certain questions. It is possible that dealing with this silence might be uncomfortable for interviewers from different cultures.

5.4. Recommendations for practice and policy makers

Essay 2 in this dissertation reveals three phases in the process of entrepreneurial networking, namely the activation of existing contacts, purposeful creation of new contacts, and network evolution. The implication of these results suggests that entrepreneurs focus on one of the three networking activities, depending on the stage of their venture development. For instance, at the conception phase when entrepreneurs shape their business ideas, looking for emotional and financial support, they can direct major attention to the useful relations they already possess and how these contacts can be employed for the venture purposes. Later, at the commercialization stage, they can concentrate on the active creation of new relations. When ventures start growing and entrepreneurs need not only to establish new contacts but also maintain their existing contacts, they can flexibly decrease their active networking efforts and rely on the organic development of their networks. Certainly, these changes in networking modes would also depend on an entrepreneurs' personality, their network competences, and the nature of the industries in which they work.

Essays 2 and 3 deal with the national differences of entrepreneurial networking that is explained by the differing Russian and Finnish entrepreneurial infrastructures at the macro-level. Due to their geographical location, Russia and Finland have a long history of established business relations. Russia is acknowledged to be one of the most important directions of internationalization for small and large Finnish companies (see e.g., Luostarinen, 1994: 43; Heliste, Karhunen and Kosonen, 2008; Larimo and Larimo, 2007). Also, there is evidence of Russian entrepreneurs establishing their businesses in Finland (Orlov, 1999: 1–2). Therefore, the findings from Essays 2 and 3 would provide implications for entrepreneurial networking for business founders and managers in both countries. These implications may relate, for example, to Finnish entrepreneurs who wish to expand their businesses to Russia or to Russian business founders who want to internationalize to Finland. First, firms should employ the services of organizations and state institutions that are available in their home country and in the country of internationalization (e.g., chambers of commerce; entrepreneurship supporting organizations and funds). These organizations could help to find potential business partners, develop an overall understanding of particular

² See, for example, Innopoli business incubator in Espoo (<http://www.technopolis.fi/fi/technopolis/toimitilat/espoo/innopoli/Sivut/default.aspx>), Hermia science park in Tampere (www.hermia.fi), or Merinova technopark (www.merinova.fi) in Vaasa.

industries, and outline the main actors within these industries. However, the findings demonstrate that relying on state organizations supporting entrepreneurial initiatives is less popular in Russia; hence, firms expanding to Russian markets should also develop informal ties.

Finding a local network expert is, therefore, another important implication. It could be a person with extensive business experience, wide network, language skills, and knowledge about the local business culture. He or she might work in a head office or at a subsidiary as an intermediary or boundary spanner. Finding this proxy can be especially useful for a firm expanding into Russia where informal relations and involvement in local business networks is highly important.

Expanding in a group with other domestic firms can be another possibility for SMEs networking abroad. For instance, it has been observed that small Finnish firms tend to internationalize in groups utilizing the network of other small companies, often competitors, or some big player; and this tactic has proved to be successful (see Hellman, 1996: 204-205). These relations help to share costs and risks, overcome the liabilities of newness and outsidership, and serve as an important learning mechanism and information source. Unfortunately, in this regard there are no studies relating to Russian SMEs.

The importance of the informal component in business relations in both Russia and Finland implies that it is not enough to merely establish an entrepreneurial contact. In addition, it needs to be carefully maintained, which also requires time investment and emotional attachment. In this regard, first encounters and the exchange of business cards are relatively easy networking activities in comparison with the further effort required to keep the relations active and meeting obligations.

Essay 4 of the present dissertation indicates that business founders should find the balance between goal oriented causal networking and means driven effectual networking. In situations of low uncertainty when network goals can be identified and the strategic fit of a certain actor in their networks foreseen, the entrepreneurs can establish relations causally. However, effectual networking is more preferable in uncertain conditions.

Essay 5 demonstrates that the networking activities of internationalizing entrepreneurial firms can often be non-goal driven. This observation leads to the implication that networking plans do not always work and entrepreneurs need to remain open to unexpected connections. Moreover, in highly uncertain situations they can leverage contingences in order to increase available opportunities. Conversely, direct control and coordination of relations may inhibit internationalization efforts.

This thesis also suggests some implications for policy makers that can be derived from the findings of the essay 3. This essay reveals several differences in the entrepreneurial infrastructures in Russia and Finland. More specifically, it has been found that Russian entrepreneurs do not use the services of entrepreneurship supporting organizations (e.g., startup development programmes, business incubators) and in most of the cases are not aware of them. Instead, they largely rely on their informal network of relatives, friends or former colleagues. Basing on these findings, this thesis suggests that Russian policy makers in the area of small and medium enterprise support and development should increase the availability of various startup programmes provided by the government. This can be done in a form of entrepreneurship associations within different industry sectors, business incubators or entrepreneurship societies within higher educational institutions. Besides, it is also important to promote these initiatives among actual and potential entrepreneurs in order to increase the awareness about them. This promotion can be done through public events (e.g., entrepreneurship fairs), press, and social media channels.

5.5. Directions for further research

Although all five essays of the present thesis have the central topic of entrepreneurial networking, they contribute to different study areas; namely the network approaches in Entrepreneurship, International Entrepreneurship, and effectuation. Therefore, the directions for further research should be outlined for each research field.

The results from Essays 2, 3, and 4 can be taken further in the entrepreneurial network research. On one hand, revealing the three phases in the process of entrepreneurial networking and, on the other, differentiating purposeful goal driven and effectual non-goal driven types of networking strategy can be coupled together. For instance, researchers could examine further stages of networking associated with the decline or crisis phase of venture development, and see which networking strategy – purposeful or effectual – would dominate. In addition, scholars may explore how the personal characteristics of entrepreneurs affect their preference for either of the networking strategies.

The findings from Essays 2 and 3 can be employed to extend the understanding of network relations in International Entrepreneurship. The extant research has mainly focused on internationalizing firms, and “the question of what determines or distinguishes this new venture orientation – international versus domestic – has not been the subject of theoretical and empirical investigation” (McDougall, 1989: 388). The IE research takes for granted that the difference between domestic and international new ventures exists (Jones, Coviello and Tang, 2011). With the exception of the two works by McDougall (1989) and McDougal, Oviatt and Shrader (2003), there have been no comparative studies on revealing the difference between domestic and cross-border SMEs, which restricts comprehension of the nature of IE (Zucchella and Scabini, 2007; Dimitratos and Jones, 2005). Therefore, more research needs to be conducted to reveal whether there is an essential difference in network development and dynamics between international and domestic new ventures (Jones, Coviello and Tang, 2011: 643). In this dissertation, the results from Essays 2 and 3 show how entrepreneurial networking differs depending upon national contexts and entrepreneurial infrastructure. These conclusions can be employed in comparative research to explore whether entrepreneurs network differently depending upon the domestic or international context.

The results from Essays 1, 4, and 5 extend the effectuation theory. The conceptualization of effectual networks (Essay 1) and exploring the process of effectual networking of entrepreneurs in contrast with causal networking (Essay 4) could become the basis for further process based research on the relations from which effectual networks emerge, what they become when, and if, they change to more strategic networks, and how entrepreneurs find the balance between effectual and causal networking strategies. Extending the effectuation theory into the context of the networking of internationalizing SMEs (Essay 5) may serve as a stepping stone for future studies. Effectuation has a high potential to explain internationalization process of entrepreneurial firms and networking during this process because internationalization resembles entrepreneurship (Schweizer, Vahlne and Johanson, 2011; Andersson, 2011; Harms and Schiele, 2012). The potential research can address the following questions:

- How is strategic selection of international partners intertwined with effectual non-goal oriented networking?
- What factors affect the adherence to either of the networking strategies? Scholars could examine how, for example, foreign market conditions (i.e., turbulent or stable), the nature of the industry (i.e., emerging or established), and the mode of operations (i.e., having a sales agent or building production facilities), level of psychic distance etc. influence entrepreneurs’ preferences for causal or effectual networking.

- Does effectual logic of networking change as entrepreneur gains knowledge and experience in foreign network?
- Do effectual entrepreneurs and their effectual networking behavior differ from each other depending on countries and national cultures?
- Does the effectual behavior of entrepreneurs differ depending on the country of internationalization? For instance, will the effectual behavior of Finnish entrepreneurs be the same in case they expand their businesses to Sweden and to Russia?
- Do effectual strategies of domestic entrepreneurs differ from those of international entrepreneurs?

The issue of entrepreneurial networking in itself implies a dynamic process that unfolds in their creation. This is particularly true in the case of effectual networking, which by its very nature is difficult to capture empirically. Therefore, from the methodological point of view this thesis follows the numerous recommendations to research entrepreneurial networking by means of qualitative process based research (O'Donnell et al., 2011; Hoang and Antoncic, 2003; Jack, 2010; Slotte-Kock and Coviello, 2010). While the empirical studies within this thesis have followed the event-sampling method of research, further work could focus on conducting more voluminous and time-consuming research, namely progressive follow-up studies or prospective longitudinal studies (Hallinen and Törnroos, 2005: 1291).

5.6. Limitations

Despite its contributions and implications for practice, as with any other research this thesis has certain limitations. First, Slotte-Kock and Coviello (2010) find it important to apply multiple perspectives to understanding process in entrepreneurial networks. Besides understanding it from the life-cycle theory perspective as a sequence of events, scholars should also consider the teleological, dialectic, and evolutionary theories of process. Although the author acknowledges the need to incorporate various perspectives on process to progress entrepreneurship research on network process, this thesis follows the mainstream research and views the process as a sequence of events. This choice was more consistent with the theories and models applied here and with the data collection techniques employed (for further details on this choice see Subsection 2.1.).

Second, effectuation represents one of the core theories used in this thesis that helps to capture the non-goal oriented networking of entrepreneurs. However, it has been acknowledged earlier in Subsection 2.7. that this theory is still in its infancy and needs to take many steps forward in order to gain conceptual and empirical rigor (Perry, Chandler, and Markova, 2011). In this regard, the drawback of this research is the reliance on certain effectuation concepts that have not been fully developed and tested (e.g., the concepts of effectual alliance and pre-commitments).

On one hand, the current infant stage of effectuation research imposes considerable limitations on the present study. On the other, some of the work undertaken in this thesis would not have been possible if effectuation already had an established status. Perhaps, if this were the case, Essay 1 that conceptualizes effectual networks would not have been necessary.

Third, in Section 3 regarding research design, the author describes the various challenges of conducting cross-border research and compares the data from Russia and Finland. It is also mentioned that the answers from the Russian respondents were considerably shorter than

those of the Finnish informants. This shortcoming limits the response equivalence and questions the richness of the data collected from the Russian interviewees.

Fourth, the results of this research and its interpretations are based on the qualitative case studies conducted in Finland and Russia. They also follow the principle of analytical, not statistical, generalization. Scholars who adhere to the positivist and postpositivist research paradigms may consider this to be a limitation. Therefore, the robustness and generalization of the present research can be assessed by conducting more extensive studies in various national and cultural contexts.

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Appendix 1

THE INTERVIEW GUIDE USED FOR THE STUDIES IN ESSAYS 1 AND 2

First I want to provide you with a short introduction about the aim of the current research. By this study and this interview in particular, I want to answer the question: How entrepreneurs in founding teams employed their formal and informal relations to build their entrepreneurial networks, and how this networking depends on the resource needs? Also, to explain what I mean by networks and networking. If you don't need any other specifications, we may start the interview.

- **The general information about the company:**
 - How many years has your company been operating in the market?
 - What is the core business?
 - How many employees does your company have?
 - From your personal evaluation, at what stage of development is your company now: early startup; early growth; intensive growth; survival?
- **The entrepreneurial team:**
 - The number of founders: How many founders does your company have?
 - Does it stay the same (e.g., somebody left or entered)?
 - How did you happen to know other team members?
 - Is there any division of labour within your entrepreneurial team?
 - Can you describe your previous existing networks (e.g., people who you know from your past study or work experience)? Is there somebody from them in the current entrepreneurial team?
 - Can you (Founder) draw your formal and informal network relations at the startup phase?
 - How can you describe the informal relations with people who assisted you in the business establishment process (e.g., family; friends; former colleagues; study mates)?
 - What were the formal relations that you had at that time (e.g., contract based agreements with bankers, buyers, or suppliers)?
 - Is there any agreement about the division of networking activities between you and other founding team members?
- **Entrepreneurial network building activities and evolution of a network:**
 - What further relations or contacts were obtained through your informal network (e.g., somebody provided references or forwarded you to another partner)?

- Describe your personal activities and efforts undertaken for obtaining new useful informal contacts (e.g. business meetings; conferences; phone calls; casual events).
 - What further relations or contacts were obtained through your formal network (e.g., some company provided references or forwarded you to another partner)?
 - Describe your personal activities and efforts undertaken for obtaining new useful formal contacts (e.g., business meetings; conferences; phone calls; casual events).
 - Which type of relation (formal or informal) was more useful in the process of further network creation?
 - Did your company use any help from entrepreneurship supporting organizations (e.g., business incubators)? If yes, describe what relations were useful and why.
 - Describe the most successful and the most unsuccessful experiences in establishing important business contacts
 - What skills or techniques do you consider to be the most important in the process of network building?
 - How can you describe the whole network of your company that you have now? (Ask to add to this description the formal and informal relations of other team members)
 - Are there any overlapping contacts?
 - Did you happen to know some third parties through your current network contacts?
 - Who is the most active networker?
 - Who spends the most time for networking?
 - Did you undertake some joint network building activities (e.g. going to conferences together; negotiating with one person together)?
 - Did you coordinate your networks and the networks of the other founding team members?
 - Do you see some changes in the network composition that happened during the network building process (e.g., the number of formal and informal contacts)?
- **Resource access:**
 - What were the scarcest resources at the early startup phase?
 - Did you employ your network to obtain them?
 - What resources did you acquire from your formal and informal contacts?

- What type of relation (formal or informal) provides more resource opportunities?

And, finally,

- Is there anything else that you consider to be important about your networking activities that I haven't asked?

Thank you for your time!

Appendix 2

THE INTERVIEW GUIDE USED FOR THE STUDY IN ESSAY 4

This part of my research project intends to reveal the different modes of networking of entrepreneurs. I want to explore whether all the networking has a goal, is strategic and planned, or if there are some other methods of establishing business relations.

General information about the firm:

- Start from what you already know about the company. Can you tell me more about the background of the firm?
- How was the original idea conceived?
- How many employees does the company have?
- From your personal evaluation, at what stage of development is your company now: early startup; early growth; intensive growth; survival?
- Are you the only founder of the firm? If not, who are the other partners? Can you tell me the story behind these relations? How did you know them (e.g., planned or unplanned activity)?

Network before startup:

- Can you describe your network at the moment when you decided to start your business (e.g., before the legal startup)?
- What relations did each of the team members bring into the network of your firm?
- Do you clearly see the structure of your network?
- What was the nature of the relations (e.g., family; friends; former colleagues)?
- Who were the core contacts?
- Did you have any plan or strategy of how to network?
- Did your idea change in anyway because of the information and resources that you got from your network?

Establishing new business relations:

- Can you describe your networking activities before the startup (e.g., finding business angels; venture capitalists; Tekes; Sitra; Finvera; manufacturers; clients)?
- How did you network (e.g., fairs; exhibitions; phone calls; tours)?
- Did you have any relations that were not initiated by you (e.g., recommendation; contact from someone via a third party)? Example?
- Was it a positive or negative experience?

- How do you network now?
- Are all of your networking activities planned and strategic, or do you envisage unplanned networking activities?
- Do you have a vision of what your network look like (e.g., its structure; your position within it; strategies of other partners)?
- Do you always know who to network with? Example?
- Do you always have an understanding about what each contact will be useful for? Example?

If non-goal driven networking is present, ask the respondent to concentrate on this unintended side of networking and compare it with goal-driven networking:

- What networking was more important for your company: goal-driven or non-goal driven (e.g., in terms of resources; information; image; internationalization opportunities)?
- Is non-goal driven networking formal (contract based) or informal (individual level)?
- Do you know what kinds of resource you will gain from these relations? If no, why did you make an effort to establish them? Example?
- Do you now have more defined goals of networking, as compared with the pre-startup phase?

Coordination:

- Do you coordinate your network somehow (e.g., coordination here relates to having a vision of the network structure and your position within it; trying to change the network according to certain goals; influencing others through, for example, resource flows and power)?
- If yes, is it also relevant for non-goal oriented networking? Can you see the structure of your network? Example?

Timing:

- How much time do you spend on your networking activities?
- Do you see any pattern in it?
- Are they regular, scheduled or unexpected and spontaneous activities? Example?

Trust:

- At the beginning of the interview I asked you about your core relations and partners. Can you compare trust in these relations and trust in the relations established without any strategic need?

Risk and uncertainty (first specify what you mean by each of them):

- Do you see any risk for your business when you network without a goal? Example?
- Any negative experience? Example?
- How uncertain is this networking?

And, finally,

- Is there anything important about networking that I did not ask you but you think it would be interesting to know?

Thank you for your time!

Appendix 3

THE INTERVIEW GUIDE USED FOR THE STUDY IN ESSAY 5

The present study intends to explore the unplanned and unintended side of relationship establishment that small firms undertake during their internationalization. That is why I invited your company to take part in this research. Let's start with some general questions about you firm.

General information about the company:

- When was it founded? Can you tell the story behind it?
- Who were the founders?
- What was the network at that time?
- How did you network?

Internationalization:

- Can you tell me about the internationalization of your firm?
- When did you have the intention to internationalize?
- Why did you decide to go abroad?
- What was the first country?
- What were the other target countries? Why these countries?

Ask the respondent to give an example of expanding to some country(ies) and tell the story about it.

- When you decided to expand to country X, what network did you have there, if any?
- Who were the core contacts? How did you find them (e.g., through a third party; personal encounter)?
- What was the nature of the relations?
- How did it develop (e.g., relations became more formal or informal)?
- Did you purposefully search for some additional contacts that you employed to expand into country X?

Did your domestic network affect your decision and action to go to country X?

- Did your domestic network help? Example?
- Did it restrict some activities? Example?
- Did some close connections help you (e.g., family; friends)? Example?

- Did you receive any support from institutions and/or the state (e.g., Sitra; Finpro; chambers of commerce)?

Establishing new business relations:

- Can you describe your networking activities when you decided to expand to country X?
- How did you network there (e.g., fairs; exhibitions; phone calls; tours)? Example?
- How do you do it now? What have you learnt?
- What would you do differently (e.g., relation-wise)?
- Did you use third-parties, indirect relations? Example?

Describe the process of entry into existing business networks:

- Did you feel like an outsider?
- Do you now feel like an insider?
- How can you describe the structure of the foreign network and your position within it?
- Was the structure of that foreign network clear in the beginning?

Unintended networking during internationalization:

- Were all your networking activities during internationalization planned and strategic, or did you envisage unplanned networking activities?
- Did you always know who to network with? Example?
- Did you always have an understanding about what each contact would be useful for? Example?

If unplanned networking is apparent, ask respondent to concentrate on this unintended side of networking:

- How important was this unplanned and spontaneous networking? Example?
- What kinds of resource did it give your firm?
- Did you know what kinds of resource you would gain from these relations? If no, why did you make an effort to establish them? Example?
- Did you have any relations that were not initiated by you? Example?
- How important were they in the end?
- Was it a positive or negative experience?
- How did you maintain these spontaneous relations and develop them into established relations?

- Do you now have more planned or unplanned networking, compared with the beginning of your internationalization? Are they balanced?

Coordination:

- Did you coordinate your network in country X in anyway (e.g., coordination here relates to having a vision of network structure and your position in it; trying to change it according to certain goals, for example, influencing others through resource flows; power)?
- If yes, is it also relevant for unplanned networking?

Trust:

- How did you develop trust in business relations with international partners? How is it maintained now?
- Compared with these core relations, how can you describe trust in unplanned and spontaneous networking? Talking about unplanned relations, are they trustworthy?

Risk and uncertainty (first specify what you mean by each of them):

- Talking about the unplanned networking, can you know from the beginning what opportunities and risks it can bring? Example?
- Is unplanned, unintended networking risky? Has your spontaneous network limited you in anyway? Did you have any other negative experiences with your partners' relations which were unintended? Any positive experiences? Example?

And, finally,

- Is there anything else that you consider to be important about networking during internationalization that I haven't asked?

Thank you for your time!

Appendix 4 **ESSAY 1**

Galkina, T. (2012) Conceptualizing effectual networks. Paper presented on the 22nd Nordic Workshop on Interorganizational Research in Trondheim, Norway.

CONCEPTUALIZING EFFECTUAL NETWORKS

Abstract

This paper develops the concept of effectual networks by contrasting it with the extant network approaches. The comparison is drawn around the constructs of coordination, timing, trust, uncertainty, and risk. This comparison enables the differentiation of effectual networks as a discrete type of relationship system, and contributes to the development of both effectuation theory and organizational network research.

Keywords: effectual networks; effectuation.

INTRODUCTION

In her influential work, Sarasvathy (2001) introduces effectuation as a non-predictive means driven logic of entrepreneurial action. Although it is acknowledged that effectuation research represents a significant paradigmatic shift in understanding entrepreneurial reasoning, this area of study is still in its infancy or intermediate state, and more work needs to be done in developing validating constructs of effectuation (Perry, Chandler and Markova, 2011). One of the drawbacks revealed relates to the construct of ‘alliances and pre-commitments’ in effectual networks; this construct does not differentiate effectual logic because strategic alliances and commitments are equally employed in both goal oriented and means oriented activities (Chandler et al., 2011). Some scholars, therefore, suggest that achieving a better understanding of entrepreneurial interactions, alliances and commitments would progress both effectuation and entrepreneurship research (Chandler et al., 2011; Sarasvathy and Venkataraman, 2011; Venkataraman et al., 2012: 29). This article proposes that such advancement can be achieved by addressing the notion of effectual networks – a concept that has been largely employed in effectuation studies (see e.g., Sarasvathy, 2001; 2008; Sarasvathy and Dew, 2005; Read, Song and Smith 2009a; Dew et al., 2011) but surprisingly has not been defined and has attracted no empirical attention. Therefore, the aim of this article is to conceptualize effectual networks by distinguishing them from other types of network in order to show their discrete nature. In doing so, this paper will also contribute to the development of effectuation theory and serve as a timely response to calls to enhance the understanding of entrepreneurial network complexity (Jack, 2010).

1 THE APPROACHES IN NETWORK RESEARCH

Organizational network research is very diverse and includes several network approaches originating from different research streams. There have been several literature reviews that provide comparison between different network research traditions and, although their conceptual contribution to network studies is extensive, they can be employed for the purpose of this article only to a limited extent. For instance, the review by Hinttu (2005) only compares the business and social network approaches, while other network studies are not included. Additionally, Slotte-Kock and Coviello (2010) contribute to earlier work done by Hoang and Antoncic (2003) but focus only on network research in entrepreneurship. Also, Brass et al. (2004) compare network research according to the level of relations in networks – interpersonal, interunit, and interorganizational; however, they do not specify to which network research stream these levels of relations belong.

In order to conceptualize effectual networks, it is important to distinguish them from other established network approaches – a business network approach and the strategic network view within it, a social network approach, and a network approach in entrepreneurship. The comparison between these approaches is drawn around several network factors – coordination, timing, trust, uncertainty, and risk. These five constructs are chosen as a beneficial basis for comparison because they are commonly present and sufficiently discussed in all the network approaches addressed in this paper.

The issue of network **coordination** is one of the central debates in network research. Coordination at a high level of abstraction relates to managing dependencies between activities (Malone and Crowston, 2001). In classic management research this is one of the five key elements of management, and supposes delegation of authority to a single actor in line with the top-down principle (Fayol, 1949). In network studies, coordination of relations is seen as an important mechanism (Grandori and Soda, 1995) that becomes more complex and multilayered when network structures lack formal hierarchy and defined boundaries (Håkansson and Ford, 2002; Håkansson and Snehota, 2006). Hence, coordination of network relations reconsiders the top-down principle and is more rigid and moderate than in the traditional management approach (Ojasalo, 2004; Hossain, 2009; Rampersad, Quester and Troshani, 2010).

Timing is recognised as an important construct in understanding network dynamics; however, it has been largely neglected (McGrath and Argote, 2001; Kozlowski and Bell, 2003; Lazer and Friedman, 2007). Broadly, timing can be defined as ‘selection or the ability to select for maximum effect the precise moment for beginning or doing something’ (Merriam Webster’s Collegiate Dictionary, 1993). In a network context, Hedaa and Törnroos (2001: 4) define timing as ‘*confluent event trajectories in a network of interrelated events*’, which means that time is understood as a stream of events. In this paper, timing relates to the temporal attributes of network relations (e.g., short-term or long-term orientation; time spent with a specific actor) and their effects on network structures (Balkundi and Harrison, 2006).

The construct of **trust** is acknowledged to be one of the most frequent approaches in organizational network studies (Blois, 1999; Grandori and Soda, 1995: 21; Seppanen, Blomqvist and Sundqvist, 2007; Rampersad, Quester and Troshani, 2010). In interpersonal and interorganizational research, trust is defined as ‘the *expectation* that an actor (1) can be relied on to fulfill obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present’ (Zaheer, McEvily and Perrone, 1998: 143). Thus, the components of reliability, predictability, and fairness are central in this definition. Later definitions of trust build on this and have similar features (see e.g., Blois, 1999; Mayer, Davis and Schoorman, 1995; Schoorman, Mayer and Davis, 2007).

Network **uncertainty** and **risks** are the other established constructs within network research (Das and Teng, 1996; 2001; Lo Nigro and Abbate, 2011). Network uncertainty is understood as a state of mind associated with doubt about the future outcome of relations, which can be either positive or negative. Hence, uncertainty is not a known and measurable fact but, rather, a context (Knight, 1964; Perminova et al., 2008). Risk, instead, relates to a known fact associated with a negative result and the quantifiable numerical probability of loss. In the network context, risk is a multidimensional construct and is associated with the probability of utility loss caused by the involvement, or lack of involvement, in network structures (Hallikas, Virolainen and Tuominen, 2002a; Hallikas et al., 2004; Lo Nigro and Abbate, 2011). Network risks are often deconstructed into relational and performance risks (Das and Teng, 1996; 2001). The former relates to ‘the probability and consequences of a partner not committing to an alliance in the agreed manner’ (Lo Nigro and Abbate, 2011: 236), and the latter deals with ‘the factors that may jeopardize the achievement of strategic objectives, given that the partners cooperate fully’. In the following, this article will examine how the constructs discussed above are employed in different network approaches.

1.1. Business network approach and its strategic network view

Origins and nature of relations

The business network research tradition originates from the so-called interaction approach that was developed in the 1980s within an international marketing and purchasing research project (Håkansson, 1982). This project focused on creating and sustaining long-term relations between buyers and sellers in industrial markets, and on resources obtained from these dyadic relations (Håkansson and Johanson, 1993; Johanson and Mattsson, 1994; Håkansson and Snehota, 1995; Hinttu, 2005; Ford and Håkansson, 2006). According to Håkansson and Ford (2002: 133), a business network is a form of organizational structure where nodes of business units, suppliers and buyers, are connected by threads, or the specific relations of resource exchange between them. Grandori and Soda (1995: 201) maintain that business networks occur at an interfirm level where the purpose of relations is often formalized by contracts.

The research regarding strategic networks is viewed as an integral part of the business network approach (Törnroos, 1995: 5). Strategic networks are defined as relatively large interorganizational systems within industries and 'long-term, purposeful arrangements among distinct but related for-profit organizations that allow those firms in them to achieve or sustain competitive advantage vis-à-vis their competitors outside the network, by optimizing activity costs and minimizing coordination costs' Jarillo (1995: 149). Strategic networks are seen as sections within business networks because they are built by a single hub firm; business networks, in turn, are developed through interactions between several companies (Forsgren and Johanson, 1992). Although business networks may also have informal relations, strategic networks are characterized mainly by formal relations strengthened by written agreements articulating the purpose of the partnership (Forsgren and Johanson 1992: 7-8; Håkansson and Snehota, 1995: 270, 272; Borch and Huse, 1993; Hunterhuber and Hirsch, 1998; Gulati and Gargiulo, 1999: 1441; Miller et al., 2007).

Coordination

From a holistic point of view, business networks are seen as complex, self-organized, and multidimensional entities that, in principle, do not have a center and cannot be managed (Ford et al., 1998; 2002). However, from the perspective of an individual company's strategic network, it is acknowledged that the network can be influenced and mobilized by showing other actors an intended change of direction (Johanson and Mattsson, 1994; Grandori and Soda, 1995; Håkansson and Ford, 2002; Håkansson and Snehota, 2006). Moreover, networks can not only be managed to some extent but also need to be managed (Ritter, Wilkinson and Johnston, 2004). In addition, some business networks can be intentionally developed by several companies in accordance with their common goals (Salo, Sinisalo and Karjaluoto, 2008). Thus, network management implies an understanding of the opportunities and restrictions that networks bring to a company, finding a balance between influencing others and being influenced, obtaining a beneficial position in a network structure that suits the aims of a company, and tracking the changes this position imposes on the overall network (Håkansson and Ford, 2002: 134).

In the business and strategic network literature, position is one of the most discussed issues relating to the coordination of business relations. Johanson and Mattsson (1992: 211) see network positions as 'a consequence of the cumulative nature of the use of resources to establish, maintain, and develop exchange relationships'. The micro-position of a firm relates to its role in a dyad, while the macro-position of a firm refers to its role and identity in the overall network (Johanson and Mattsson, 1988: 293). Thorelli (1986) and Koon and Low (1997: 191) see network position as a location of power that can be both symmetric and asymmetric. The coordination of network position includes decisions on the type and nature

of a partnership, careful choice of contacts, and developing relations with some and not with others (Jarillo, 1988; 1995; Koon and Low, 1997; Hunterhuber and Hirsch, 1998; Wincent, 2005; Brown, 2006). This implies that the focal firm is aware of its network horizon (Anderson, Håkansson and Johanson, 1994; Holmen and Pedersen, 2003; Liere and Koppius, 2007: 35), understands the overall structure of the business network in which it is involved, is aware of the network goals of the other actors in this network, and therefore can decide which sections are relevant to it in the business network (Ford et al., 2002).

Timing

In order to achieve compatibility of goals and coordination of activities within business and strategic networks, actors need to invest significant time in relations (Hunterhuber and Hirsch, 1998: 190), with long-term commitments becoming vital to the maintenance of their continuity (Jarillo, 1988; 1995; Johanson and Mattsson, 1992; Borch and Arthur, 1995). Although business and strategic networks are constantly changing, and dynamic systems and new relations turn up at irregular intervals (Axelsson and Johanson, 1992), they are sustained and long lasting interorganizational entities formed by stable relations with trusted partners (New and Mitropoulos, 1995; Gulati and Gargiulo, 1999; Gulati, Nohria and Zaheer, 2000; Wincent, 2005). Knowing the strategy of other actors implies a strong orientation to the future (Thorelli, 1986: 38) and constant learning from repeated interactions (Håkansson and Ford, 2002). Besides these strong expectations of the future, relations in business and strategic networks are fundamentally grounded in the past history of interactions (Håkansson and Ford, 2002: 135).

Trust

Trust is recognized as one of the main success factors and antecedents for interorganizational business and strategic networks because it discourages opportunism and provides stability (Ebers and Jarillo, 1997-98; Hunterhuber and Levin, 1997; Ford et al., 1998; Newell and Swan, 2000). It also represents a governance mechanism that reduces transaction costs and enables effective cooperation and knowledge diffusion (Ebers and Jarillo, 1997-98; Gulati, Nohria and Zaheer, 2000; Brass et al., 2004: 802; Wincent, 2005; MacDuffe, 2011). Also, Seppanen, Blomqvist and Sundqvist (2007) state that trust increases the predictability and strategic flexibility of interfirm interactions.

Powell (1990: 326) and Dyer and Chu (2000) indicate that trust in interorganizational relations can be developed and maintained when they have relative continuity and stable routines. In line with this, Jarillo (1988; 1995) argues that trust in strategic networks can be built and sustained in three ways. First, when entrepreneurs carefully and explicitly select partners according to their values and goals. Second, when relationships have a long-term approach and are considered to be valuable. Third, when the 'hub' company has achieved a positive track record and reputation of 'hosting' other firms in its network. In addition, trust is more likely to be established in homogeneous networks (Powell, 1990).

Uncertainty and risk

In business network studies, the uncertainty and risk of networking are mainly discussed in the context of production buyer-supplier relations and from the perspective of smaller suppliers (see e.g., Ojala and Hallikas, 2007; Hallikas, Virolainen and Tuominen, 2002a). Although business networks aim at reducing financial and technological risks and minimising costs, they themselves may create various risks (Hallikas et al., 2004). For example, these risks can be associated with the opportunistic behaviour of some actors, network resistance to changes (i.e., introducing new technology or a new member), tight dependency between firms and associated loss of autonomy (i.e., having too narrow a customer base or being dependent on one big client), or, conversely, operating in too many networks and losing customers or suppliers. (Hallikas, Virolainen and Tuominen, 2002a,b;

Hallikas et al., 2004). Therefore, managing network risks is a constant search for a balance between close long-term relations with core partners (that increase the possibility of transaction and minimise uncertainty but have high dependency and hold-up risks) and more distant decentralized partners (that reduce dependency risk but have lower commitment to possible transaction and high uncertainty) (Hallikas, Virolainen and Tuominen, 2002b). Also, risks of non-involvement in business networks may relate to isolation and liabilities of outsidership (Johanson and Vahlne, 2009; Chiarvesio and Di Maria, 2009).

Likewise, within a strategic network research stream, network risks are discussed in terms of embeddedness. Uzzi (1996; 1997) states that the same network mechanism that gives access to various benefits can reduce a firm's ability to adaptation, and decrease diversity and opportunity recognition. Deep involvement with network relations makes companies vulnerable to unexpected changes; for example, in the case of the sudden exit of a core member, other actors may lose an important resource flow and would need to manage member replacement costs. This overembeddedness may also lead to the problem of free riding, which rests on the expectations of reciprocal exchange and obligations of friendship. Gulati and Gargiulo (1999: 1442) argue that the uncertainty of entering strategic interorganizational networks relates to the lack of information on a partner's competences and reliability.

Notably, it is not possible to define typical business network risks. Each company estimates its own network risk depending upon its position in the network; what can be harmful to one actor in a network may have either no or a positive impact on another member (Hallikas, Virolainen and Tuominen, 2002b; Hallikas et al., 2004). Harland, Brenchley and Walker (2003) stipulate that the assessment of network risks can be achieved only in relatively stable long-term oriented business relations, based on formal agreements, because a firm can map the structure of the network and define its position.

1.2. Social network approach

Origins and nature of relations

It is quite difficult to distinguish a specific point in time when the social network approach started to develop because it was influenced by research in numerous fields including, for example, physics, mathematics, sociology, anthropology, and economic sociology (Swedberg, 1991; Kilduff and Tsai, 2003). However, considerable advances in available methodologies during the 1960s helped to move social network research away from description towards analysis, and fostered a plethora of studies on social structures and interactions (Granovetter and Swedberg, 1992). Although there has been a lot of concern as to whether the social network approach is a theory or just a collection of methods (Zuckerman, 2003), it has been recognized as an influential scholarship that developed its own concepts and contributed to strategy, organization, management, sociology, and other fields (Leinhardt, 1977; Nohria and Eccles, 1992).

Wasserman and Faust (1994: 20) indicate that 'a social network consists of a finite set or sets of actors, and the relation or relations defined in them'. The authors emphasize the relational information on the actors, the analytical restriction to the finite set of actors, and the requirement of boundary specifications as the critical features of social networks. From the point of view of governance, Podolny and Page (1998: 59) define social network as 'any collection of actors ($N \geq 2$) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange'. In addition, social network relations are primarily held on interpersonal level and are not supported by formal agreements (Grandori and Soda, 1995: 199; Newell and Swan, 2000: 1292).

While the main focus of the social network approach is on ties between individuals, it also looks at intra- and interorganizational connections; however, it differs from the business network approach. While the business network approach emphasises all three dimensions – actors, activities, and resources – the social network approach has a major focus on actors and relations between them, and views activities and resources as secondary characteristics (Håkansson and Johanson, 1993; Hinttu, 2005).

Coordination

Kilduff and Tsai (2003: 89) admit that some social networks are characterized by goal directed processes and can be coordinated to a certain extent. Likewise in business and strategic networks, the notion of position in a network structure is one of the key concepts describing social network coordination. Position is defined from an egocentric point of view as a vector of individual distances from a particular actor to each of the other actors in a network, and from each of the other actors to this particular actor (Burt, 1976: 96; 1995). Understanding social networks as ‘pipes’ through which actors exchange information and resources (Podolny, 2001) raises the question of acquiring the most beneficial position within a network.

Burt (1995: 18) views advantageous network positions in terms of structural holes defined as ‘the separation between non-redundant contacts’. He argues that simply increasing network relations without considering diversity may be harmful; however, when an actor is connected to a large number of other actors who themselves are not connected to one another, then this actor has a network rich in structural holes. This strategic bridging of otherwise disconnected and structurally unequal links enables better control of non-redundant information and resources and, therefore, more innovative thinking and less uncertainty in decision making (Burt, 1997; 2004).

Granovetter (1973; 1983) argues that the network position of an individual is constituted by strong (friends) and weak (acquaintances) ties. The strength of a connection relates to ‘a combination of the amount of time, emotional intensity, intimacy (mutual confiding), and the reciprocal services which characterize the tie’ (Granovetter, 1973: 1361). Weak ties are vital to an advantageous network position because they enable information and resource flows between social groups that would otherwise remain fragmented and not in communication.

The notion of structural embeddedness is another concept that is discussed with regard to social network coordination, and relates to the extent of an actor’s involvement in social relations (Granovetter, 1985; Zukin and DiMaggio, 1990; Uzzi, 1997). Embeddedness determines the rational and instrumental behaviour of aligning economic goals with sociability, approval, status, and power structures (Granovetter, 1985: 506). Taking the form of restricted access, macrocultures, collective sanctions, and reputations, embeddedness may influence exchange relations (Jones, Hesterly and Borgatti, 1997) and affect access to financial capital (Uzzi, 1999).

Having ‘the right social ties’ and ‘most desirable position within a network’ can also be achieved by obtaining a certain degree of centrality (Klein et al., 2004: 952). Although centrality has many types and measures (Freeman, 1979), in general it is defined as ‘a measure of the potential importance, influence, and prominence of an actor in a network’ (Faust, 1997; Hossain, 2009: 681). For instance, the results of Hossain’s (2009) study show that individuals’ centrality in a network positively correlates with their ability to coordinate project groups.

Besides detecting goal driven processes in social networks, some authors recognize the existence of serendipitous processes that are opportunistic and uncoordinated because actors do not share common goals and strategies (Kilduff and Tsai, 2003). The organizing

principle of serendipitous relations is rather random and based on chance as '[p]otential members may bump into each other because of accidents of geography or schedule' (Kilduff and Tsai, 2003: 92). Although, serendipitous networks are not goal driven, they are predictable as actors make their choices based on dyadic attraction.

Timing

The definition of social networks employed earlier in this paper underlines the importance of their regularity and long-term orientation. Similarly, Wasserman and Faust (1994: 3) and Kilduff and Brass (2010) highlight the importance of structure and patterns in social networks that are expected to be repeated in the future. This relative stability of social networks is determined by the mechanism of reciprocity and frequency of repetition in relations (Rivera, Soderstrom and Uzzi, 2010: 99).

Trust

Trust or a trusting ethic is a distinctive attribute of social network governance and structure (Podolny and Page, 1998: 60). Trust is critical to social network actors because it helps to avoid opportunism under conditions of imperfect competition (Dore, 1983; Granovetter, 1985: 490; 1995; Perrow, 1993; Burt, 1995: 15). While, in formalized business relations, trust is facilitated by contract and reputation, in social relations it is based upon norms of reciprocity, moral obligations, knowledge, and past experience (Powell, 1990; Powell and Smith-Doerr, 1994). Often, trustworthy informal agreements substitute formal contracts because the latter are less flexible in cases of unexpected change (Podolny and Page, 1998).

Uncertainty and risk

Uncertainty within social networks is mostly associated with the formation of new ties because they have a weak nature, lack familiarity, and thus require emotional and time investments (Gargiulo and Benassi, 2000). Social network risks, in turn, are to a great extent dependent upon structural factors such as, for example, an actor's network position, degree of embeddedness, centrality, and the balance between strong and weak ties. For instance, asymmetric power relations may cause unethical behaviour towards the party with a lower status, its moral exclusion, and damage to its reputation (Brass, Butterfield and Skaggs, 1998). Also, having cohesive network ties facilitates cooperation and a normative environment; however, it may cause rigidity, and hinder flexibility and the ability to adapt (Gargiulo and Benassi, 2000). Therefore, both having central and peripheral positions may create risks.

1.3. Network approach in Entrepreneurship

Origins and nature of relations

The stream of network based research in entrepreneurship has a history of more than two decades and builds on the business and social network approaches (Hoang and Antoncic, 2003; Slotte-Kock, 2009; Slotte-Kock and Coviello, 2010). From the business interorganizational network perspective, entrepreneurial networks are viewed as small firm clusters that can be distinguished according to geographical regions and industries (see e.g., Biggiero, 2001; Drakapoulou Dodd, Jack and Anderson, 2002; Neergaard and Ulhøi, 2006). From the social network perspective, entrepreneurial networks represent egocentric webs of interpersonal and interorganizational relations that facilitate venture creation and growth (see e.g., Hansen, 1995; Ostgaard and Birley, 1996; Greve and Salaff, 2003; Klyver and Hindle, 2010). Although this research stream combines the concepts from both business and social network approaches, the latter has a primary influence (Slotte-Kock, 2009: 27).

Two main types of study can be distinguished in this research area. The first type is connected to a resource-based view and examines what instrumental resources can be obtained by entrepreneurs from various relations (see e.g., Aldrich and Zimmer, 1996; Greve and Salaff, 2003; Lechner and Dowling, 2003; Neergaard, 2005). The second type looks at the dynamic side of entrepreneurial networks, their formation, and evolution through the stages of venture development (see e.g., Butler and Hansen, 1991; Larson, 1991; 1992; Larson and Starr, 1993; Hite and Hesterly, 2001; Jack, Drakapoulou Dodd and Anderson, 2008; Jack et al., 2010). According to Drakapoulou Dodd and Patra (2002: 117), 'entrepreneurial networks can be defined as the sum total of relationships in which an entrepreneur participates, and which provide an important resource for his or her activities. These relationships may be articulated through the mechanism of membership of formal organizations, through the links an entrepreneur develops with suppliers, distributors, and customers, or through the utilization of social contacts, including acquaintances, friends, family, and kin'. Altogether, entrepreneurial networks are viewed as goal oriented systems that 'do not form by chance but can be studied as patterned, predictable exchange structures' (Larson, 1991: 173).

Coordination

Slotte-Kock and Coviello (2010: 46) and Hansen (1995: 17) argue that entrepreneurial network relations can and should be managed. Also, Larson (1991: 174) states that 'an entrepreneurial firm's ability to identify, cultivate, and manage...network partnerships is critical to survival and success'. In this regard, the study by Jack et al. (2010) is very revealing because it shows how an entrepreneurial network can be artificially and instrumentally created through a top-down mechanism of its management and formalized purposeful exchanges.

Because an entrepreneurial network approach builds on the research from business and social network studies, the discussion on relationship coordination through positioning, obtaining a certain degree of centrality and embeddedness, and identifying network boundaries is also relevant to this approach. In addition, Anderson and Jack (2002) argue that entrepreneurial networks can be controlled and coordinated through establishing certain rules and etiquette of relations. Similarly, Larson (1992) discusses the mechanisms of entrepreneurial network governance, the reciprocity of exchange relations, reputation, and mutual orientation.

Timing

Because entrepreneurial networks combine the features of business and social networks, they are also characterized by reasonable stability and an orientation towards the history of relations. For example, Larson (1992) shows that the reputation of prospective network members is a considerable factor in forming and maintaining entrepreneurial relations. Likewise, the study by Jack, Drakapoulou Dodd and Anderson (2008: 151) reveals path dependence and consistent patterns in entrepreneurial network development. Also, Jack et al. (2010) confirm that the repeated frequency of interactions is an important factor in the successful functioning of an entrepreneurial network. Similarly, Anderson, Drakapoulou Dodd and Jack (2010) report on spans or specific patterns of activities in entrepreneurial networking practices. In general, this continuity and firmness of relations is determined by the venture's purpose and network position.

Trust

Trust represents one of the main governance mechanisms of entrepreneurial networks, especially at the pre-establishment phase of new venture formation when relations cannot be secured by formal contracts (Larson, 1991; 1992: 88; Hoang and Antoncic, 2003: 170). Trust in entrepreneurial networks depends on prior knowledge about partners and their

reputation, and results in higher commitment, reciprocity, and knowledge sharing between actors (Neergaard and Ulhøi, 2006). Similarly, Aldrich and Fiol (1994: 650) indicate that 'trust is a critical first level determinant of the success of founding entrepreneurs because, by definition, there is an absence of information and evidence regarding their new activity'. Smith and Lohrke (2008) distinguish between affective and cognitive trust in the networks of venture founders. The former relates to an interpersonal level of relations and implies emotional investment, which decreases throughout the process of entrepreneurial network development. The latter is associated with economic aspects of repeated interactions and is based on conscious decisions and knowledge about partners, which increases throughout the stages of entrepreneurial network formation.

Uncertainty and risk

Entrepreneurial network uncertainty is often high during the early phases of venture formation when business founders lack information about prospective network members (Larson, 1991; 1992). In turn, entrepreneurial network risks are associated with the structural attributes of an actor, and may relate to situations in which the strong ties of business founders with friends and family members restrict diversity and limit the ability to realize opportunities outside the familiar context. Also, strong ties may not fully satisfy the resource needs of a venture (Jack, 2005). When entrepreneurs strongly rely on resources obtained from network members they may fail to develop their own, and thus become dependent on external relations (Larson, 1991: 184).

At this point in the article, it can be summarized that the types of network discussed above have a lot more in common than they have differences. Their main similarity is in the underlying goal driven rational logic that is the basis of their theoretical explanation; this logic makes them coordination driven and egocentric, dominated by history and relative stability, trust driven, and averse to uncertainty. In this regard, effectual networks portray a different type of relationship system. Their dissimilar nature will be further specified below.

2 EFFECTUAL NETWORKS

2.1. Origins and nature of relations

The notion of effectual networks comes from the theory of effectuation developed by Sarasvathy (2001; 2008) within entrepreneurship research. According to her, entrepreneurial (human) action is driven either by the predictive rational logic of causation or by the non-predictive means oriented logic of effectuation. Causation and effectuation are integral parts of human reasoning, with a constant balance and interplay between them. Sarasvathy indicates that ‘causation processes take a particular effect as given, and focus on selecting between means to create that effect. Effectuation processes take a set of means as given, and focus on selecting between possible effects that can be created with that set of means.’ (Sarasvathy, 2001: 245). In order to understand the nature of effectual networks it is important to first address the four principles of effectual logic:

- *Means driven instead of goal driven action:* Effectuation logic starts with addressing the means of assessment that comprises ‘Who I am’ (Identity), ‘What I know’ (Knowledge), and ‘Who I know’ (Networks) components (Sarasvathy, 2001: 253; Wiltbank et al., 2009: 991; Read et al., 2009b: 4). With this set of means, entrepreneurs can create various effects that become known only during the venture creation process.
- *Partnership instead of competitive analysis:* Instead of conducting extensive and expensive research of preselected markets, effectual entrepreneurs together with other stakeholders co-create the structure of a new venture, define the market to enter or a new market to create (Sarasvathy, 2001: 252; Read and Sarasvathy, 2005; Dew et al., 2011).
- *Leveraging contingencies instead of exploiting pre-existing knowledge:* Instead of avoiding contingencies, either positive or negative, effectual entrepreneurs follow the principle of leveraging and being open to unexpected outcomes that can be transformed into new opportunities (Sarasvathy, 2001: 252).
- *Affordable loss instead of expected returns:* Instead of counting predicted returns, which implies knowing the amount of future sales and possible risks, effectual entrepreneurs only assess how much they can afford to lose in the worst case scenario (Sarasvathy, 2008: 81).

Although the effectuation literature employs the notion of effectual networks quite extensively, they have no direct definition (see e.g., Sarasvathy and Dew, 2003; Faiez and Younes, 2012). On one hand, they are the starting point of the effectuation process serving as the ‘Who I know’ aspect of entrepreneurial means (Sarasvathy, 2001: 253; Read et al., 2009b: 4), meaning that eventually everyone has an effectual network of some kind. On the other hand, they are the resultant networks of different stakeholders who a) actually commit something to the new venture creation and b) participate in entrepreneurial process by sharing the potential risks and benefits of its failure or success (Sarasvathy and Dew, 2005: 542; Read et al., 2009a: 574). However, the study by Chandler et al. (2011) shows that the criterion of committing something to a new venture is not sufficient to differentiate effectual actions from causal actions because established pre-commitments are also present in strategic relations. Also, the study by Fischer and Reuber (2011) demonstrates that an actor does not need to be involved in the entrepreneurial process to be a part of the effectual network. Therefore, the two criteria do not distinguish effectual networks from other possible networks (e.g., strategic or entrepreneurial networks). In addition, assuming that the stakeholders in the effectual networks can be ‘any and all interested people’ (Wiltbank et al., 2009:117) including ‘early partners, customers, suppliers, professional advisors,

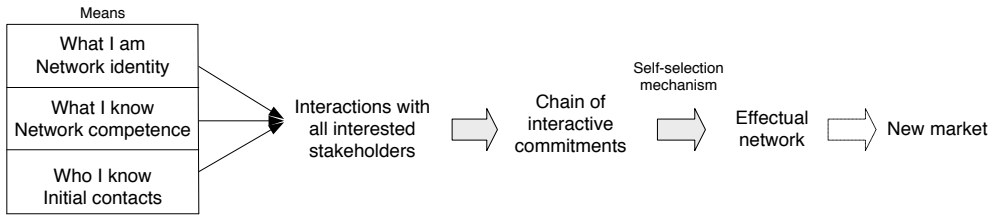
employees, or local communities' (Sarasvathy and Venkataraman, 2011: 126), it is difficult to conceptualize effectual networks based on the attributes of the actors involved in them. Given that effectuation is the process theory of human action and reasoning (Sarasvathy, 2001; 2008), it is rather the process of network formation that needs to be considered. In other words, one should look not at *which* actors constitute effectual networks but *how* these networks come into being.

Effectuation theory does not explicitly talk about effectual network formation. However, assuming that the effectuation process starts with the available means (Sarasvathy, 2001; 2008), it is necessary to begin by examining what these means are in the networking process (see Figure 1). In the context of networking, the 'Who I am' component of the set of means refers to the network identity, which is defined as the perceived attractiveness of an actor in exchange relations depending on his or her connections with the other actors (Anderson, Håkansson and Johanson, 1994: 4). The 'What I know' aspect relates to network competence, which is understood as the specific ability to establish, handle, and use various relations (Ritter and Gemünden, 2003; 2004; Chiu, 2009); it can also include knowledge and skills of interacting according to different network rules and in different network cultures (King-To, 2005). Finally, 'Who I know' refers to the existing relations of an effectuator that can lead to other relations through recommendations and introductions. Taking into account the intrasubjective cognition component of effectuation (Fischer and Reuber, 2011), it is also important that entrepreneurs perceive their network identity, network competence, and certain existing relations as means, and believe that these means could lead to some effects.

Furthermore, instead of regarding a network as something to enter or to create, selectively assessing positions of the most favourable partners, and establishing relations with some but not with others, entrepreneurs interact with any and all interested stakeholders (Sarasvathy and Dew, 2005; Read et al., 2009a: 293; Wiltbank et al., 2009: 117). Hence, in the context of effectual networking, the principle of 'partnership instead of competitive analysis' changes to 'interaction with all interested stakeholders instead of network analysis'. Following this principle, entrepreneurs leverage contingencies and unexpected network outcomes (Sarasvathy, 2001: 252). Having some preconceived structure of a future network in mind would restrict entrepreneurs from co-creating a more favourable environment for opportunities (Dew et al., 2009; Read et al., 2009b).

Further into the process, numerous interactions form the chain of interactive commitments (Sarasvathy, 2008: 105). Notably, the nature of these commitments differs from those in causal relations; they are employed not to acquire necessary resources and implement plans but to create space for experimentation and flexibility (Chandler et al., 2011: 386-387). Later, the relations in the chain of commitments are negotiated and renegotiated, and finally form the effectual network through a self-selection process (Wiltbank et al., 2009; Read et al. 2009b: 14). The self-selection mechanism is opposite to the careful culling of partners driven by venture goals (Sarasvathy and Dew, 2005: 556; Wiltbank et al., 2009: 117, 120). Partners are self-selected into an effectual network through staking something that they can afford to lose (Dew and Sarasvathy, 2007: 275; Sarasvathy and Dew, 2008: 729). In the networking context, this can be non-monetary investments in the form of time needed to establish a relation, emotional involvement in relations, or information to be shared with a counterparty in order to build a mutual interest. Since no one can predict the success of the entrepreneurial process and returns derived from investing in relations, intelligent altruism becomes the critical behavioural assumption for this self-selection. This is fundamentally different from the bounded rationality behaviours in causal networks that assume intentional, goal driven, and opportunistic actions (March, 1981; 1988). Additionally, the effectually created network may develop the 'Who I know' aspect of an effectuator's means for the next cycle of the effectuation process. It may also lead to the further development of new markets (Sarasvathy, 2008).

Figure 1. The process of effectual network formation (Constructed from: Sarasvathy and Dew, 2005; 2008; Sarasvathy, 2001; 2008: 105; Read et al., 2009a: 293; Wiltbank et al., 2009; Dew and Sarasvathy, 2007: 275; Dew et al., 2011).



The stakeholders in the effectuation process can be any kinds of actor (Sarasvathy and Venkataraman, 2011: 126), which means that, in terms of relationship level, effectual networks can also be categorised as business interorganizational or social interpersonal networks with economic or social exchanges. Also, the effectual logic implies that relations cannot be supported by any contract or written agreement because their objectives are undefined at the outset. The only known direction of effectual relationship development is towards the co-creation of a variety of possible outcomes from these relations (Read et al. 2009b). In this sense, these effectual relations can be classified as informal (Frankel, Whipple and Frayer, 1996: 49). In summary, this article suggests that *an effectual network is an informal network of both interpersonal and interorganizational relations of a focal actor, who forms it through the effectuation principles of means driven action, interactions with all interested stakeholders, affordable loss, and leveraging contingencies.*

The proposed egocentric definition of effectual networks leads to the question of their boundaries, which can be outlined with the help of the notion of ‘effectual churn’ suggested by Fischer and Reuber (2011: 10). Effectual churn is ‘the continuous looping between social interaction...and the reassessment of the means and effects achievable, without progression through the effectuation process’. When entrepreneurs reach the state of ‘effectual churn’ they are engaged in various interactions so extensively that the effectual process of co-creating new effects stops progressing. Building on this premise, the present article suggests that the effectual network of an individual spreads until the point where adding new relations cannot provide any value to the effectual process, and when an entrepreneur does not perceive these additional relations as productive means.

Notably, effectual networks differ from serendipitous social networks. According to Nutefall and Ryder (2010: 228), serendipity relates to unexpected but fortunate discoveries made by chance or coincidence. While effectuation may also relate to fortunate discoveries it is not a coincidental process, but a complex logic of reasoning where an effectuator co-creates possible effects with other stakeholders (Sarasvathy, 2001: 253).

2.2. Coordination

Through making pre-commitments, self-selected stakeholders form an effectual network that is enactive, flexible, and open to a diversity of outcomes (Read and Sarasvathy, 2005: 50; Sarasvathy and Dew, 2005: 542; Wiltbank et al., 2009: 120; Read et al., 2009a: 583; Chandler et al., 2011). However, effectual networks cannot be managed because effectuators do not know the motives and incentives of other actors as well as their own (Sarasvathy and Dew, 2005: 557). Instead of fitting into the existing structures and coordinating activities of other actors, entrepreneurs reshape existing environments and co-create new ones (Wiltbank et al., 2009). This co-creation is compared to the open source phenomenon that enables the increased value of possessed resources and diversity of outcomes from relations; it is ‘the cooperative shaping of the market rather than a competitive scramble for (predicted to be) valuable resources that drives industry dynamics’ (Read et al., 2009b: 14). Thus, the

goal oriented logic that underlies coordination makes this construct irrelevant for effectual networks.

2.3. Timing

Similarly to the causal network approaches, past network relations are important to an effectuator because they essentially constitute the ‘Who I know’ component of effectual means (Sarasvathy, 2001). However, the understanding of futurity is essentially different from that of the other extant network approaches described earlier in this paper. According to Sarasvathy (2008: 91), ‘to the extent that we can control the future, we do not need to predict it’. In effectual networks, the future is open due to the process of co-creating network goals; in causal networks, instead, the future is closed due to the known end goal of the network. While managing the future is a common issue both in causal and effectual networks, the future is the end state of causal networks whereas it is the building process for effectual networks. In addition, Sarasvathy (2008: 106) stipulates that ‘[t]he effectual nature of the commitment process allows the members of the network to proceed as though the universe at any given point in time consists only of the people at the table – as though the external world is relevant only to the extent that it is embodied in their aspirations and abilities’. Hence, effectuators rely on immediate reality where the *actual* actors are known right here and right now.

Also, effectual relations imply interactions with all interested stakeholders (Sarasvathy and Dew, 2005; Read et al., 2009b: 293; Wiltbank et al., 2009: 117), which requires lengthy time investment. However, entrepreneurs may not spend much time on developing a certain established relationship and maintaining it because the purpose of strengthening this tie has not been formulated yet. Therefore, actors who network effectually are likely to spread their time investment to maximize the number of interactions and increase available means rather than to strengthen certain established relations.

2.4. Trust

According to the definition of trust given at the beginning of this article, trusting behaviour supposes that the trustor has a specific goal orientation and expectation over a particular predictable action that a trustee will perform (Zaheer, McEvily and Perrone, 1998). This expectation, in turn, implies that the trustor has a predicted, desired goal for his action and the action of the trustee, which implies causal logic. However, effectual networks do not follow goal driven reasoning because relations do not have a clear purpose. It is rather a process of establishing networks of opportunity than networks of trust; although trust can be found empirically in effectual networks, ‘[t]heoretically speaking, effectual logic does not *require* any particular assumption about trust *ex ante*’ (Sarasvathy and Dew, 2008: 734). Thus, it can be derived that trust is a theoretically inapplicable construct for effectual networks.

What is relevant for effectual networks is the high level of commitment of involved stakeholders; similarly to other goal oriented types of network relation, commitment to relations is crucial to effectual network initiation (Sarasvathy, 2008: 101). However, unlike goal oriented networking, effectual entrepreneurs are not committed to the known end result of networking but to its open future potential, non-redundancy, flexibility, and the opportunities that new relations may bring (Sarasvathy and Dew, 2005; Sarasvathy, 2001, 2008; Read et al., 2009b-293; Wiltbank et al., 2009: 117; Chandler et al., 2011: 386-387).

2.5. Uncertainty and risk

The uncertainty within effectual networks is high because, in the early stages of new venture development, the venture goals are undefined and relations do not have any structure and continuity (Sarasvathy, 2001; Sarasvathy and Dew, 2005). Doubts about the outcomes from

these relations – whether positive or negative – are very strong. However, entrepreneurs leverage these contingencies because they are perceived as resource pools rather than disadvantages (Sarasvathy, 2008: 89-90). At the later phases when the new venture moves from inception to growth, it obtains more resources and attracts more stakeholders; hence, under these more certain conditions, effectual networking becomes more causal (Sarasvathy and Dew, 2005; Read and Sarasvathy, 2005).

In turn, risk cannot be described an attribute of effectual networking because it implies some predictable fact, the negative outcome of which can be quantified with some numerical probability (Knight, 1964). By definition of effectuation, returns cannot be estimated because the future is unknown. Instead, entrepreneurs act following the principle of affordable loss (Sarasvathy, 2001; 2008).

3 DISCUSSION

The comparison provided above of effectual networks with other types of network with regard to the constructs of coordination, trust, timing, uncertainty, and risk is summarised in Table 1. Singling out effectual networks as a discrete type of relationship system poses several fundamental questions about them. First, under the influence of what factors are effectual networks likely to come into being? The study by Sarasvathy and Dew (2005) demonstrates that entrepreneurial relations are likely to be effectual during the early phase of an entrepreneurial process. This finding is in accordance with Sarasvathy (2001: 249) and Wiltbank et al. (2009) who state that effectual actions are more likely to be undertaken under conditions of uncertainty. Other research by Dew et al. (2009) points to entrepreneurial expertise as a factor of effectual action. The authors conclude that entrepreneurs with extensive experience are more likely to act effectually; while novice entrepreneurs more often follow the causal logic of decision making. These findings can also be imposed on networking activities and lead to a presumption that networks are more likely to be formed effectually by expert entrepreneurs, and in the early stages of new venture formation.

Second, is effectuality as a characteristic of a network a degree or a category? Sarasvathy and Dew (2005) show that throughout the entrepreneurial process, entrepreneurs' networks grow and include more available resources from the established set of stakeholders, which limits the potential to consider the opinions of new members. Hence, the goals of relations become more articulated and networks gradually become less effectual. However, do they become causal? Perry, Chandler and Markova (2011: 19) state that causation and effectuation are not the opposite ends of a continuum but have an orthogonal, or independent, uncorrelated relationship; hence, the opposite of effectuation is not necessarily causation. Therefore, the continuum should rather have effectuation and non-effectuation at each end; and effectuation would be a degree. However, in the orthogonal relation between effectuation and causation, effectuation would be a category.

Third, does everyone always have an effectual network of some kind? Practically, every person is born into a social network and is involved with different groups throughout life. However, taking the definition of an effectual network provided in this paper, these given connections do not yet make an effectual network, but constitute the means for further effectual networking if an individual cognitively perceives them as such. The effectual network is a network formed through effectual action together with other stakeholders. Therefore, an individual will have an effectual network if he or she pursues the effectual logic of its establishment and is involved in its co-creation process. Thus, it can be concluded that everyone can have the means to create an effectual network, but not everyone has an effectual network. Effectuation is a cognitive concept (Fischer and Reuber, 2001); for this reason an individual can be a part of someone's effectual network, but not have his own effectual network due to acting strategically. This kind of one-way relation is not the case in business and social networks. If an actor is a node in someone's business or social network, then this actor also has a business or social network. With the same logic, it can be stated that losing an effectual network is impossible; rather, the effectuality of a social or business network may vanish, for instance, in cases when relations change to more goal oriented ones because their purpose becomes defined.

CONCLUSIONS

Although the notion of effectual networks comprises an essential part of the discourse in the effectuation literature, it has not been addressed directly and lacks clear definition. Through its endeavour to conceptualize effectual networks, the present article responds to recent calls to devote more research attention to the relations of effectual entrepreneurs. In defining effectual networks, this paper gives prominence to how they come into being through

effectual action instead of their constituent parts. The questions posed in the discussion do not comprise the final list of what scholars need to know about effectual networks. Rather, they mean to provoke future discussion on what effectual networks really are, and stimulate the necessary empirical work on this phenomenon.

Since effectual networks are not established, structured, and long-term oriented entities, it can be challenging to capture them empirically. Hence, it is proposed here that further empirical research on their characteristics should be undertaken through process based studies. From this point of view, it could be seen how effectual networks change, what they become, and what factors affect this change. From the perspective of performance and venture growth, researchers could examine the conditions under which effectual networks are more suitable than structured long-term connections, and how the balance between them should be maintained. It is also necessary to study how actors' personality characteristics (e.g., age; gender; competence) correlate with the prevalence of the effectual or causal logic of partnering. Altogether, it is hoped that the conceptualization of effectual networks provided in this article will result in new avenues to study network relations.

Table 1. The comparison between organizational network approaches in relation to effectual networks

	Business network approach and its strategic network view	Social network approach	Network approach in entrepreneurship	Effectual network approach
Nature of relation	Interorganizational (mainly in the context of buyer-supplier relations); Formal; Bounded rationality is a behavioural assumption; Goal oriented logic	Interpersonal and interorganizational; Informal; Bounded rationality is a behavioural assumption; Goal oriented logic, however, serendipitous social networks are also recognised	Interpersonal and interorganizational; Formal and informal; Bounded rationality is a behavioural assumption; Goal oriented logic	Interpersonal and inter-organizational; Informal; Intelligent altruism is a behavioural assumption; Means driven logic
Coordination	From a holistic perspective, business networks are unmanageable; From the hub-firm's strategic perspective, coordination means managing position	Relations can be coordinated to some extent according to the actor's position; Serendipitous relations are unmanageable	Relations can be and should be coordinated through, reciprocity, reputation, rules, and etiquette	Coordination is an inapplicable construct; instead, co-creation and self-selection mechanism are applied
Timing	Long-term orientation; Frequency of patterned interactions and expectation of their future repetition; Future is defined by the end goal and thus is closed; Past history of relations is important.			Future is open; Past relations constitute the 'Who I know' aspect of effectual means; Actual actors in immediate reality, known right here and right now are important
Trust		Trust is crucial for relationships' existence, continuity, and governance		Trust is a conceptually inapplicable construct, although it can be found empirically
Uncertainty and risk	Uncertainty is perceived as a negative condition and mainly relates to the formation of new relations and lack of information about new members; Risks (relational and performance) relate to the structural characteristics of an actor and may result in high dependency of one actor on another, relationship asymmetry, network resistance to change, isolation, and outsidership.			Uncertainty is high but perceived as a positive condition due to the principle of leveraging contingencies; Risk is not a relevant construct; instead, the principle of affordable loss is used

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Appendix 5 **ESSAY 2**

Kock, S. and Galkina, T. (2008) Entrepreneurial network creation: Using formal and informal relations of entrepreneurial team members in Russia and Finland. *In: Larimo, J. and Huuhka, A. (eds) Perspectives on Marketing*, pp. 267-294. Vaasan Yliopiston Julkaisuja, Vaasa³.

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ENTREPRENEURIAL NETWORK CREATION: USING FORMAL AND INFORMAL RELATIONS OF ENTREPRENEURIAL TEAM MEMBERS IN RUSSIA AND FINLAND

Abstract

The emerging discipline of network management aims at analyzing the effects of networks in business and entrepreneurship and providing further implications for business executives. This paper explores the process of an entrepreneurial network creation as opposed to evolution. Taking a resource-dependence view, it investigates how members of entrepreneurial teams in Russia and Finland proactively and purposefully use their formal and informal relations for networking activities. Following the multiple-case study strategy and applying the semi-structured interview technique with the members of entrepreneurial teams, this piece of research reveals the three distinct processes of an entrepreneurial network development – the activation of existing relations, the creation of new contacts, and the evolution of a network – that are correspondent with the three flows of obtaining resources – mobilization, acquisition and development. The study also demonstrates country-specific characteristics of how entrepreneurs establish and maintain new contacts.

Keywords: Entrepreneurial Network, Resource-dependence View, Entrepreneurial Team, Formal, Informal, Russia, Finland

1 INTRODUCTION

Although the importance of networking activities for an individual start-up firm and their positive impact on new venture performance are acknowledged by many academics (e.g., Hansen 1995; Ostgaard & Birley 1996; Shane & Cable 2002; Nijkamp 2003; Elfring & Hulsink 2003; Greve & Salaff 2003; Jenssen & Koenig 2002; Witt 2004), the greater emphasis is made on overall structural components of networks than on the networking process itself. Entrepreneurial networks are mainly seen from an inter-organizational perspective, and their establishment is viewed rather as an evolutionary process inherent in them as such, than as a creation activity undertaken by individual entrepreneurs with a purpose (Bloch & Jackson 2007; Lapiedra, Smithson, Alegre & Chiva 2004; Kamp 2005). However, networks and networking have a distinct nature (O'Donnell, Gilmore, Cummins & Carson 2001). Different inter-organizational approaches to entrepreneurial networks do not explain proactive and purposeful efforts undertaken by individual entrepreneurs or their teams (Johnsen & Ford 2006; Kogut 2000; Pages & Garmise 2003; Biggiero 2001; Mäkinen 2001; Neergaard & Ulhøi 2006; Tötterman & Sten 2005; Larson & Starr 1993; Hite & Hesterly 2001; Butler & Hansen 1991; Jarillo 1988; Ebers & Jarillo 1997-98; Brown 2006; Bloch & Jackson 2007).

The understanding of an entrepreneurial network from the resource-based view is widely recognized in academic research (see Lechner & Dowling 2003; Starr & Macmillan 1990; Hansen 1995; Coviello & Cox 2006; Neergaard 2005; Shane & Cable 2002; Jenssen & Koenig 2002; Wincent & Westerberg 2005; Anderson & Jack 2002). However, these studies do not reveal how the need in some particular resource and the way it is obtained at some point in time of an entrepreneurial process influence the manner entrepreneurs create and expand their networks.

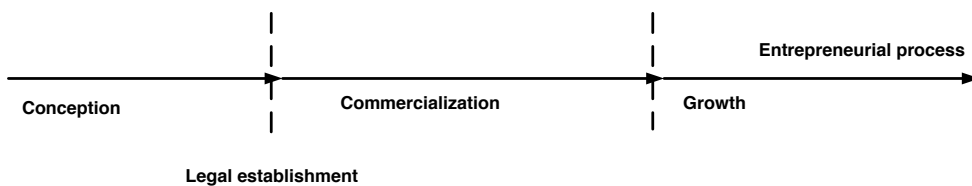
Different authors admit that the country-specific setting and cultural differences influence business partnering and the establishment of new contacts (Johannisson & Mønsted 1997; Fletcher & Fang 2006; Klyver, Hindle & Meyer 2008). Also, there is specific interest in entrepreneurial networking conditions in Russia and Finland (Salmi 1996; Johanson 2004; Hallèn & Johanson 2004a; Hallèn & Johanson 2004b; Rogers 2006; Johannisson & Mønsted 1997). However, these pieces of research consider entrepreneurial networks from a macro-perspective, and the role of an individual entrepreneur is neglected. Moreover, the case of Finland is viewed from a more general Scandinavian perspective.

This paper aims at the exploration of the entrepreneurial network creation process (as opposed to evolution) undertaken by a team of new venture founders by using their formal and informal relations. Taking the resource-dependence view, our objectives are to investigate network building activities of each entrepreneurial team member and see how they contribute to the design of the overall network structure. In addition, the networking activities of venture founders are placed into a national context; hence, we intend to compare Russian and Finnish entrepreneurs with regard to their active network establishment and the building of business contacts.

2 IN SEARCH OF THE RESEARCH SUBJECT

Based on the definition of entrepreneurship by Shane & Venkataraman (2000), we understand an entrepreneurial network as a system of formal and informal connections between an entrepreneur and other individuals and organizations that s/he uses for the purpose of opportunity discovery, evaluation and exploitation. Since entrepreneurship occurs over time (Gartner, Shaver, Gatewood & Katz 1994), the process-based view on entrepreneurial networks is also adhered to in this paper. We adopt the approach of Coviello & Cox (2006) who suggest the three successive stages of an entrepreneurial process: conception, commercialization and growth (Figure 1).

Figure 1. The Phases of an Entrepreneurial Process (Note: Own construction based on Coviello & Cox 2006).



Our special attention is focused on the early stages of this process because they determine the initial network composition and its further development during the above phases; the same focus has been chosen in earlier entrepreneurial studies (Coviello & Cox 2006; Greve & Salaff 2003; Rostgaard Evald, Klyver & Gren Svendsen 2006). The process-based approach is widely recognized in entrepreneurial research and identifies special characteristics of each phase in an entrepreneurial process rather than sets its time boundaries (Coviello & Cox 2006).

2.1. Entrepreneurial Networks – a Resource-dependence View

A new venture growth only from internal resources is problematic, and often it is not exactly known what resources will be needed; thus, it is critical to identify useful contacts and build external relations (Lechner & Dowling 2003; Starr & Macmillan 1990). New firm survival, growth and resource potential strongly depend on the ability of its founders to establish and maintain external relations (Hansen 1995). The resources obtained through entrepreneurial networks are often acquired not distinctly but in a system. The first level of resources includes commonly recognized resources like financial capital, human capital, knowledge and opportunity recognition, new customers and outlets and internationalization etc.; the second level is broader than the first one and refers to social capital through which the other resources can be accessed (Coviello & Cox 2006; Neergaard 2005). It is worth noting, that overembeddedness into a network may cause negative outcomes for a new venture; network relations make companies vulnerable to unexpected changes in markets (e.g. the sudden exit of a network member); they may also bring problems of free-riding that rests on the expectations of reciprocal exchange and obligations of friendship (Uzzi 1997).

Coviello (2006) suggests that while companies develop, the range, size of their networks and closeness to other actors increase; this happens because new start-ups have different capabilities and resource needs as they grow. Similarly, authors like Lechner, Dowling & Welpé (2006) and Greve & Salaff (2003) propose that different types of relations have different intensity during the process of venture development; hence, the depth and diversity of accessible resources depends on the content of relations. Likewise, Coviello & Cox (2006) propose that there are three respective activities for obtaining resources corresponding to the three stages of an entrepreneurial process - conception, commercialization and growth.

Firstly, mobilization implies an access or an ability to use a resource without owning it and sharing risks. Secondly, acquisition means obtaining or internalizing resources through a network with taking a risk. The third activity for leveraging a resource base is called development; it is characterised by a situation when network relations do not supply some resource directly but stimulate resource generation and thus act as catalysts of development (Coviello & Cox 2006).

The authors propose that in these stages the resources generated by networking activities and their flows will be different depending on the strategic situation. During the conception stage the resources obtained through networking relations are mainly presented by organizational skills and competences and technological capabilities, which are gained through mobilization rather than through acquisition. The commercialization stage is characterised by obtaining skilled human capital through network relations in order to support further growth; this capital is received by the process of external acquisition. When a new venture turns to the growth stage, it re-emphasizes the need for organizational capital for market development and building client and distribution networks; this capital is mainly obtained through development flows. Physical and financial capital is generated by a firm's network with less extent; it is more prevalent to the firm itself. (Coviello & Cox 2006)

When setting measures and variables of entrepreneurial networking, it is important to understand their impact on new business and to empirically test the effectiveness of resource acquisition. Time and frequency of communication with existing and potential partners are recognized as the most important variables of network building and maintaining and obtaining resources through it (Hansen 1995; Ostgaard & Birley 1996; Witt 2004). The degree of inter-connectivity (Hansen 1995), availability of social and professional networks, initiative in building network relations, ability to delegate responsibilities among network players, availability of strong ties (Ostgaard & Birley 1996), density and diversity of contacts and status of a network member (Witt 2004; Renzulli & Aldrich 2005) are suggested as the other factors that influence the effective resource acquisition through network relations.

2.2. Formality and Informality within Network Relations

Relationships between partners within an entrepreneurial network can be characterized as formal and/or informal. Formal relations imply “the required degree of co-operation, conformance and inter-organizational integration through the use of a written document or agreement”; these relations secure partners' behaviour because they regulate sanctions and penalties for failed performance; hence, formal relations based on a written contract provide stability and a lower level of risk (Frankel, Whipple & Frayer 1996:49; Henriksen 1995). Since relations based on contractual agreements more often take place between companies not individuals, formal networks mainly refer to an inter-organizational level of analysis (O'Donnell et al. 2001:750).

According to Frankel et al. (1996:49), informal relations “consider the historical and social context of a relationship as well as specifically acknowledging that the performance and enforcement of obligations are an outcome of mutual interest between parties”. The nature of this unwritten agreement is in mutual expectation of positive outcomes, fairness and trust built by both parties, which appears to be a stronger mechanism of interaction than legal obligations or formal applications of power and authority. Notwithstanding the fact that using formal contracts is a popular practice, informal agreements also play a critical role in building long-term commitment; the complexity of legal procedures and high dynamism of relations makes it difficult to establish and maintain formal contracts. Ensured by trust and confidence, informal relations demonstrate a more flexible mechanism of relations establishment (Frankel et al. 1996). Informal relations are often the result of a person's everyday communication, which in most cases occurs on an interpersonal level (O'Donnell et al. 2001:750). However, in an entrepreneurial context, relations on an interpersonal level may cause their further exploitation on an inter-organizationally formal level.

2.3. Entrepreneurial Teams

Entrepreneurial activities are rarely seen as individual affairs, and the myth of an entrepreneurial hero is invalid (Reich 1987). Business reality demonstrates that in most cases new high-growth ventures are established by teams not individuals (Kamm, Shuman, Seeger & Nurick 1990). A high level of uncertainty and risk, flexibility and effective decision making can be better managed by a team rather than by a single entrepreneur (Chowdhury 2005). Furthermore, companies established by entrepreneurial teams often defeat those of individual founders in performance and have more chances to start a venture successfully (Gartner 1985; Kamm et al. 1990; Lechler 2001; Teal & Hofer 2003; Vanaelst, Clarysse, Wright, Lockett, Moray & S'Jegers 2006).

In this paper, entrepreneurial teams are not viewed from the perspective of company personnel, which is close to the idea of collective or corporate entrepreneurship (Stewart 1989). Rather, our understanding of entrepreneurial teams is close to that of Kamm et al. (1990) and Forbes, Borchert, Zellmer-Bruhn & Sapienza (2006) who define them as groups of entrepreneurs establishing and managing a business together and having a financial interest in it. Therefore, the three criteria for being a member of an entrepreneurial team are suggested as the joint start of a new company, the financial interest in it and the direct impact on its strategy (Ensley, Carland & Carland 1998). Ucbasaran, Lockett, Wringht & Westhead (2003:107,115) use the term "entrepreneurial founder team" to describe the joint establishment of a venture and propose two criteria for belonging to it: firstly, active participation in the founding process and, secondly, obtaining the minimum equity of 10%. Although entrepreneurial teams constitute relatively controllable entity, they can be identified only after the documented legal establishment of a business, which means that an important stage of idea development and team composition is difficult to track (Forbes et al. 2006; Francis & Sandberg 2000).

The complexity of an entrepreneurial team as a unit of analysis is also determined by its dynamics. For instance, the exit and entry of new members depend on the size of the team, the presence of family relations and team diversity (Ucbasaran et al. 2003); also, the addition of a new member implies two motives – a resource-seeking motive and an interpersonal attraction motive (Forbes et al. 2006). Team members are often 'trusted alerts' who have personal chemistry, cognate links and pre-existing relations of kinship (Neergaard 2005).

Several authors have applied the life-cycle approach to describe the evolutionary nature of entrepreneurial teams. For instance, the study of academic spinouts conducted by Clarysse & Moray (2004) demonstrates four different phases of an entrepreneurial team development that show its non-static nature: the project phase when an entrepreneurial team has more features of a project team; the pre-start-up phase when procedures of validating a business opportunity occur and 'team champion' becomes visible; the start-up phase when the role of 'champion' changes to the role of business manager and the post-start-up phase when a team forms and the roles are defined. Similarly, Vanaelst et al. (2006) suggest a model of an entrepreneurial team evolution containing four stages - research commercialization and opportunity recognition, organization in gestation, proof of viability and maturity phase. Although this model follows the logic of Clarysse & Moray (2004), it indicates new roles within entrepreneurial teams that have not been considered before; Vanaelst et al. (2006) identify the existence of so-called privileged witnesses who are consultants or coaches who are to a certain extent distant from the project but provide an advisory function.

There are numerous factors that influence the successful performance of entrepreneurial teams. Francis & Sandberg (2000) indicate that friendship is the main dimension of team effectiveness because it creates mutual trust and a cooperative climate, enhances members' aptitude for effective decision-making and commitment, and enables the rapid resolution of conflict situations. The heterogeneity of the characteristics, knowledge and skills of team

members and the cultural diversity have a strong impact on its functioning because this multiplicity provides a broader perspective of problem-resolving options and a greater pool of innovative alternatives (Ensley et al. 1998; Milliken & Martins 1996; Bouncken 2004). Lechler (2001) indicates that the quality of the social interaction, which includes information exchange between members, the desire to stay in the team, working norms, mutual support and the coordination and ability to resolve conflicts is a significant factor of entrepreneurial team performance. Demographic variables such as age, gender and functional background do not affect entrepreneurial team performance because they do not have an impact on team commitment (Chowdhury 2005).

2.4. Entrepreneurial Networks – Evolution vs. Creation

Most of the literature on entrepreneurial networks adheres to the organizational or even inter-organizational perspective. An entrepreneurial network is perceived as relations between distinct companies and its emergence is rather seen as an evolutionary process where various external and internal forces shape its overall structure. However, there is very little research that presents an entrepreneurial network from the point of view of an individual entrepreneur who acts as a vigorous agent and purposefully creates his/her network. We suggest that these two perspectives lead to quite a sensitive dichotomy – the evolution of inter-organizational entrepreneurial networks and the creation of personal entrepreneurial networks.

An inter-organizational perspective on entrepreneurial networks is presented by numerous approaches. Johnsen & Ford (2006) view them as *buyer-supplier relations* and state that they can be improved through obtaining four interaction capabilities – the human interaction capability, the technological interaction capability, the managerial system interaction capability and the cultural interaction capability. Kogut (2000) takes the angle of *regional development* and indicates that each area has generative rules that direct the emergent structure of cooperative inter-firm networks, matching the process among firms and the principles of their coordination (e.g. the rule of kinship and the status of a firm). Interestingly, Biggiero (2001) suggests that the complex, multidimensional and sometimes chaotic nature of regional entrepreneurial networks determines their self-organizing underlying mechanism. This idea corresponds with the findings of Henriksen (1995) who indicates that the structure of an emerged network is a matter of coincidence. The approach of *government assistance* is taken by Neergaard & Ulhøi (2006); their study shows that trust in relations between network members positively influences network creation and transformation; however, public policy makers usually pay more attention to physical-proximity factors without considering trust issues. Business incubators in Finland as a part of governmental entrepreneurial policy are studied by Tötterman & Sten (2005) who conclude that tenants benefit from the network relations within the incubators because of the diversified mix of members and they overcome a feeling of loneliness; although the study shows that business incubators help new entrepreneurs in the business-formation stage to some extent, some actions (e.g. workgroups, meetings with other incubators, different level programs) should be undertaken.

The *evolutionary approach* stipulates the development of entrepreneurial networks in stages. Larson & Starr (1993:5) suggest that as a new business emerges, the ‘crystallization’ of its network occurs through three successive stages: focusing on the essential dyads, converting dyadic ties to socioeconomic exchanges and layering exchanges with multiple exchange processes. The study of Hite & Hesterly (2001) suggests that the emergence stage of dynamic entrepreneurial networks is driven by highly egocentric identity-based ties because identity is more important than the functions or resources networks can bring about. Butler & Hansen (1991) argue that an entrepreneurial network develops during the entrepreneurial or pre start-up phase characterised by strong social informal dependencies that provide an entrepreneur with both tangible and intangible resources. When a new

business enters its start-up phase, an entrepreneurial network turns to the business focused network which relates to emerging business relations with customers, buyers and suppliers. This network gradually changes to a more formal strategic network, which is typical for ongoing business phase (Butler & Hansen 1991).

The *strategic view* on inter-organizational entrepreneurial network establishment is presented in the concept of strategic networks developed by Jarillo (1988). To gain a competitive position, a new venture should establish a sustainable structure of these networks and find its place in it; often, the most effective companies have the central or 'hub' position within the network and are very proactive in the process of its building. Trust, similar cognitive schemes and power symmetry or asymmetry influence the strategic positioning within a network (Ebers & Jarillo 1997-98). Brown (2006) suggests four strategic principles of egocentric network building and 'orchestrating' inter-organizational relations – defining the role of each participating company, balancing local innovation with 'global' integration, designing effective action points and establishing performance feedback loops.

Unfortunately, there is very little research on entrepreneurial networks with a greater focus on the individual entrepreneur as a unit of analysis. Burt, Janotta & Mahoney (1998) state that not every member of a founding team has equal competences, skills and willingness to build network contacts; while some entrepreneur may have advanced technical or business knowledge, another one in the team can be a real network champion who possesses and creates the most important contacts.

Starr & Macmillan (1990:86) view personal entrepreneurial relations as social assets and suggest several strategies for their building. Firstly, sharing information with potential network members sets obligations and kinship that can be used for further contacts. Secondly, assistance in solving somebody's problems and providing favours also work for building liking, gratitude and obligations. Thirdly, providing people with different opportunities to demonstrate their skills and competences can be the other way to establish goodwill and gratitude (Starr & Macmillan 1990). This concept of building network relations implies that an entrepreneur should first invest or pay his/her skills and competences for the social capital; only after sharing these assets with other parties are network ties likely to be established. Anderson & Jack (2002:206) propose a strategy for creating a new relation with a potential business partner; however, this strategy includes simple communication techniques that can be applied to any interaction.

The personal perspective on entrepreneurial network provides quite a detailed description of establishing a dyadic networking relation; however, it does not show how these dyads are integrated into a complex network system where entrepreneurial firms possess numerous contacts at one time. It also does not explain the situation when an entrepreneur has personal relations with an individual from another organization without having business relations between two firms or relations between an entrepreneur and an individual who does not belong to any organization.

2.5. Entrepreneurial Networks in National Context – Russia and Finland

Some authors argue that there is no significant difference between network creation patterns in different countries (Greve & Salaff 2003:17). However, several studies provide evidence that the process of entrepreneurial networking is influenced by culture specific characteristics, and therefore, there is no universal model of network building. Johannisson & Mønsted (1997) suggest that exchange activities within networks are affected by the socio-cultural context. According to Fletcher & Fang (2006), business partnering and networking is strongly influenced by cultural dimensions because actors of interaction are the products of their original culture. Likewise, Klyver et al. (2008) indicate that networking behaviour differs from culture to culture and throughout the entrepreneurial process, although it is possible to identify similar networking patterns in some groups of cultures.

The interest in transaction economies explains the availability of scientific literature on entrepreneurship in Russian. Due to political changes during the early 1990s, Russian companies had to shift from tightly structured, strictly controlled relations of the planning system to new networks with before unfamiliar actors where they had to find the most favourable and strategic position themselves (Salmi 1996). Within supplier relations, Russian companies have to rethink their chain activities in order to have mutual adaptation between supplier and customer (Johanson 2004). Hallèn and Johanson (2004a) provide evidence that during transition processes in the Russian economy, fragmented relations or relations that include either exchange connections or resource use were shifted by integrated relations; integrated relations better respond to market fluctuations because they are based on a more dense network, and consequently, on more effective solutions. The radical change from a planned economy to a market mechanism also caused dissolution of network contacts of many Russian companies that had to search for new customers and suppliers; however, a lack of networking competence, weak relations between firms and little knowledge were the reasons for very fragile and easily terminated business connections (Hallèn and Johanson 2004b).

Academic literature lacks information about the Finnish entrepreneurial environment and entrepreneurial networking; with regard to this topic, Finland is presented only in the context of Scandinavian countries but not as a separate case. Klyver et al. (2008) compare 20 countries with regard to the importance of networking activities during the entrepreneurial phase. Their study shows that in the Nordic countries and in Finland in particular, network relations are of the most importance at the stage of opportunity discovery and early growth, while in Sweden, for example, they are more significant at the start-up phase (Klyver et al. 2008).

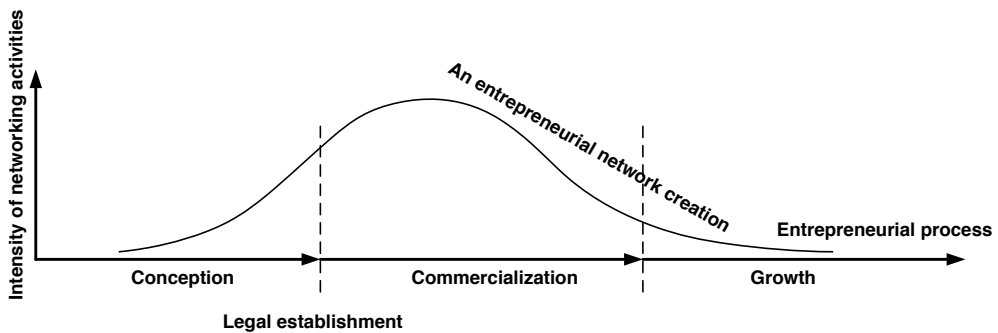
In Finland as in the Scandinavian countries, new companies are often started in a place where an entrepreneur lives; hence, regional peculiarities, attitudes towards entrepreneurship and structural conditions of the local area have a great impact on entrepreneurial activities with a strong control from local community. Historically, in sparsely populated areas with distant centres, this local control function of the network helped to avoid opportunistic behaviour and cheating. The role of the entrepreneurial network in the Scandinavian countries today is crucial because it provides psychological support and legitimacy. Interestingly, in the Scandinavian setting female entrepreneurs use their social networks more than male ones due to an underdeveloped entrepreneurial culture and a lack of institutional support. Another special feature is the availability of business incubators and science parks that are promoted both by government and research communities. These incubators serve as bridges between the academic and business worlds, provide legitimacy to established enterprise and help to develop necessary contacts (Johannisson & Mønsted 1997).

2.6. A Model Proposal

Since we adopt a process-based view on entrepreneurial networks (Coviello & Cox 2006), we suggest that the active and purposeful creation of such a network would have a different intensity at a particular phase of an entrepreneurial process. This idea derives from the above mentioned theoretical concepts suggesting that the networking process is influenced by the dynamics of an entrepreneurial team, the changing needs in resources and the constantly evolving nature of the firm's overall network.

Figure 2 shows that an entrepreneurial network creation starts at the conception phase before the firm's legal start-up (Butler & Hansen 1991) and it becomes more intensive and active at the phase of commercialization in order to sustain the further development and growth of a firm (Lechner & Dowling 2003; Starr & Mcmillan 1990; Nijkamp 2003; Hansen 1995). When a company reaches the growth phase, it possesses various resources; the range and size of its network increases; therefore, the need in networking for establishing more contacts lessens; the company concentrates on the development of already established relations (Coviello 2006; Greve & Salaff 2003; Coviello & Cox 2006).

Figure 2. The Intensity of Entrepreneurial Network Creation Activities over the Phases of an Entrepreneurial Process.



3 RESEARCH DESIGN AND METHODOLOGY

The complexity and relatively unexplored nature of network building activities through formal and informal relations accompanied by our special interest in the Russian and Finnish contexts can be studied by means of qualitative research with the application of network analysis. Our empirical study is carried out as a multiple-case study because several sources of information on the same phenomenon provide more comprehensive and detailed understanding without chance associations; hence, its evidence is more compelling and robust (Yin 1994:45).

According to Eisenhart (1989), an appropriate number of cases for a multiple-case approach is from four to ten, which is enough for generalizing and relatively easy for coping with data volume. However, the main attention should be paid on the meaningfulness and information-richness of the cases (Yin 1994; Patton 1990). In this study, we investigate entrepreneurial teams of four Finnish and three Russian companies from different industries. Choosing the case companies from the two national contexts corresponds with the comparative underlying idea of our case study inquiry, which is proven to be a powerful conceptual mechanism (Stake 2000:444). The studied companies have between two to five founders in their entrepreneurial teams; their size ranges from one to 30 employees, and at the time of conducting the study they were at the stage of start-up or early growth.

The empirical data for our study were mainly collected through primary sources. In total, 20 semi-structured individual interviews with open-ended questions were held with the members of the entrepreneurial teams of the selected case companies; each interview lasted about 35-40 minutes, was recorded and further transcribed. In the process of interviewing the Critical Incident Technique was applied in order to collect context-rich and in-depth information about the studied phenomenon and to reveal similar or different patterns across multiple cases, all of which increase the generalizability of research results (Chell 2004; Gummesson 2000:136). Another analytical tool used in the interviews was historical analysis, which is a tested mode of studying processes of change in organization; hence, its application was suitable for investigating the dynamic process of an entrepreneurial network creation because it provides a basis for comparison and a link between actual reality and the past background (Gummesson 2000:97-111).

The collected data on the network relations of the respondents consist of complicated and overlapping information about sets of different actors and the nature of the relations between them. Thus, in order to ease its visual display and present it in a unified manner we used graph notation (Wasserman & Faust 1994; Scott 1991), which demonstrates a network as a system of nodes joined by lines (in cases of non-directional relations) or arrows (in cases of directional relations) and provides a visual tool for further analysis of network relations.

In the data collection process, secondary sources were also incorporated; being aware of context-specific usage of these data, we used it only to prepare for the interview meetings and to strengthen the final results of the research (Foster 1994). In particular, the general information about the companies, their core business, the main clients and suppliers was found from the companies' web-sites (if they were available).

4 EMPIRICAL FINDINGS

The relations between the founders in the studied Russian and Finnish entrepreneurial teams had quite an informal nature; they happened to know each other because they were friends, had dating relations, were former colleagues or worked in the same research group. In the Russian companies the entrepreneurs who founded the companies were the only owners; among the Finnish firms, one had external investors, not considered as members of an entrepreneurial team by our definition. The functional division of labour was very obvious in all the teams; the responsibilities were distributed within finance, working with clients and suppliers, security and other areas. However, while this division was not very clear in the beginning of operations, it naturally became apparent later on.

At the conception phase, at the moment of the legal start-up, the Russian entrepreneurs possessed mainly informal connections through existing family members, friends and former colleagues etc. Notably, several founders even emphasized that the businesses as such had been founded only on the basis of informal contacts; these relations provided financial support (mainly from family members), information and opportunity recognition as the main resources. None of the three companies took any loan from banks, investors or any institution supporting start-up businesses like a business incubator. The respondents even said that they had no idea of any developmental programmes or incubation services offered by a governmental organization that their businesses could participate in and through which they could receive start-up funding or investing capital.

By the time of the companies' foundation, the Russian entrepreneurs had already established relations before with people from supplying or/and client firms; and the relations with those people were purely informal. On a company level, these relations turned into contract based formal agreements between the newly established firm and the known suppliers and customers; thus, already in the beginning of the commercialization phase, they had an existing client base that could satisfy the supply of the services and guarantee the first revenues.

The founders of the four Finnish companies indicated that the relations with people who assisted them in some way in the business conception and establishment process had both informal and formal characteristics. The informal part of the network contained friendship relations or connections with colleagues from previous work places. Family ties were not of great importance. The formal part of the network was characterized by written agreements with the units of innovation and development in the local universities; already before the legal establishment, many formal contacts with venture capitalists and private and institutional investors were obtained through participation in the developmental programmes offered by such governmental organizations as Tekes, Sitra, and Finvera (e.g. Liksa and Intro programmes) and the local technology park Technopolis. This formal network became the main provider of financial resources, information about industry and competitors and social capital.

Exploiting the first-round relations was not enough for maintaining commercialization and business growth. The creation of new business contacts and network expansion in the three Russian companies was concentrated on the client side of the networks; it was done through handing out advertising leaflets, attending specialized exhibitions and industry events, simple Internet search, sending e-mails with business proposals and phone calls. Likewise, the same techniques were used by the Finnish entrepreneurs; however, new relations were also established with investors, competitors, advertising companies and industry specific associations. As both Russian and Finnish respondents stated, there had been no division of networking activities in their teams, and network coordination was a joint responsibility. However, it was possible to identify one individual who was the most active in approaching potential contact persons and establishing new business relations. At the commercialization

phase, the main resource need was personnel, which was hired through mainly informal relations or recommendations from friends; thus, the cost of having a HR department or using the services of recruiting agencies was avoided.

It is worth noting that the founders of the Russian firms mentioned a bribing mechanism for obtaining new customers – ‘otkat’. It can be translated into English as ‘kickback’, ‘bribe’ or ‘tampering with clients’, and is an amount of money paid by a supplier to a customer so that the latter chooses the former. Basically, suppliers compete not only with their products or services but also with the ‘otkat’ they are ready to pay to customers. The respondents indicated that this way of getting new clients had been used in the beginning of the companies’ operations when they had an unstable position on the market and when the relations with the partners were mainly based on informal relations. Once the firms created a sustainable network of clients and could choose who to deal with, they started to have more formal contract-based relations.

For the creation of new business contacts, the ability to find common ground before starting the business part of relations and the ability to listen were stated as the most important characteristics and skills by the Russian respondents. In contrast, for Finnish entrepreneurs the main features were being an expert in the field, knowing the technology one works with, and knowing the business perfectly.

The entrepreneurial networks of the studied companies were developed not only through the direct relations the founders established or had before the start-up; as the companies grew, some of the contacts were found through other relations on a formal or informal basis. Thus, as the companies grew, new customers and outlets, new business partners and internationalization opportunities were obtained through other client firms via their recommendations. The recommendations from university contacts and entrepreneurship supporting institutions assisted Finnish firms in this expansion; new partners appeared even without direct effort from the studied companies. Interestingly, the respondents called these cases the most successful networking experiences.

The respondents from the studied companies agreed that the number of formal relations based on contract arrangements increased over the phases of the entrepreneurial process. However, the role of informal relations was still very important in network developing and expanding. Some of the interviewees noticed that the growing number of formal relations on an inter-firm level also lead to many informal contacts on an individual level.

5 ANALYSIS AND DISCUSSION

The activities undertaken by an individual entrepreneur to form an entrepreneurial network can be divided into three phases that could be seen as corresponding with the phases of an entrepreneurial process. The empirical findings on the studied companies from Russia and Finland demonstrate that an entrepreneurial network develops during the conception phase from strong social relations characterized by informal relations with parents, friends and former colleagues or business partners (Butler & Hansen 1991). This network of informal relations is an attribute of any person; a result of everyday life activities and involvement in different groups (O'Donnell et al. 2001). Although an entrepreneur acts purposefully with a business idea in mind, s/he does not create these relations from nothing; they are just *activated* in a new way and used for entrepreneurial goals. The level of informality in these relations is quite high because a firm has not yet been established and there are no contractual written agreements between parties.

Already before the establishment of a firm, an entrepreneur or a team of entrepreneurs has a certain network which in a sense is a prerequisite for business viability. In order to secure their businesses after the start-up moment and ensure initial growth, entrepreneurs do not start a business until they have a minimum number of certain important contacts. Therefore we suggest that an entrepreneurial network is not something that is developed after a business actually starts its operations. The informal part of a network already exists at that moment; the question is how to exploit it effectively for business purposes.

When a company is legally established and enters the commercialization phase, it continues using the activated relations in order to ensure operations at the start-up moment; these relations can produce the first clients or starting capital. However, a firm needs a more extensive network to establish a basis for further growth (Lechner & Dowling 2003; Starr & Mcmillan 1990); therefore, founders begin to search for new clients, suppliers, investors or business partners that would help a company to develop further (Nijkamp 2003; Hansen 1995). At the phase of commercialization entrepreneurs start an active *creation* of an entrepreneurial network through different activities (e.g. visiting various exhibitions, seminars, conferences, other industry events, a simple web search, telephone negotiations or different advertising methods). The findings demonstrate that in the entrepreneurial teams it is possible to distinguish 'a network champion', a person who is the most active and successful in establishing new contacts (Burt et al. 1998; Clarysse & Moray 2004).

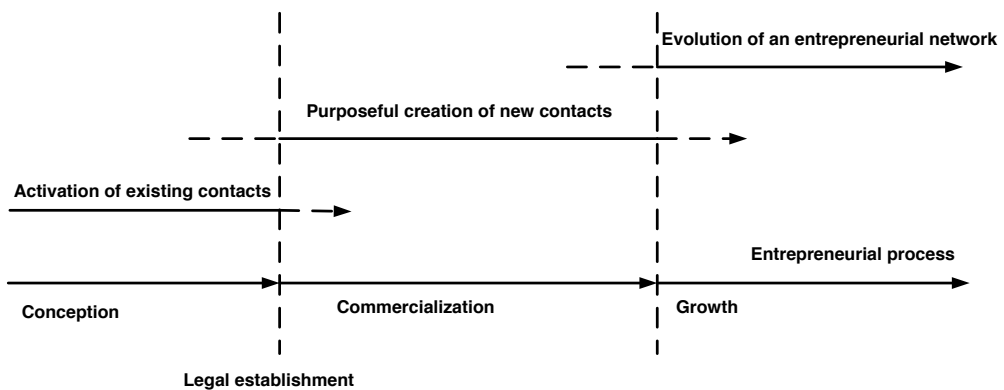
The cases of both the Russian and Finnish companies demonstrate that when they reach the growth phase, many useful business contacts have been formed indirectly, without an active and purposeful search for them through recommendations from already existing partners (Coviello & Cox 2006; Starr & Macmillan 1990; Jenssen & Koenig 2002; Bloch & Jackson 2007). This mainly occurs after the companies have operated for some time in markets and 'deserved' a positive image. The entrepreneurs do not actively seek for these relations; rather, they request some partnership from him/her. Thus, we call it an *evolution* of an entrepreneurial network creation when a network starts working for its growth itself; it develops through a self-organizing mechanism of inter-relations among firms and individuals and may occur without the control of an entrepreneur.

We suggest that an active component of entrepreneurial action cannot be eliminated completely at this stage. Probably, purposeful networking activities of entrepreneurs shift from network creation towards its coordination and control; besides establishing new contacts and relations, it also becomes important to exploit them effectively. The relations obtained through third parties are formal because they are based on written contracts; however, the mechanism for obtaining new contacts is very unofficial and informal because partners recommend each other to other businesses and provide references based on unwritten rules and agreements.

Once an entrepreneurial network changes to its evolution phase, an entrepreneur loses control over various relations because the network can develop without his/her participation. However, the level of risk-avoidance and security of separate dyadic relations increases; this happens because the composition of the entrepreneurial network changes and the number of formal relations protected by written contracts increases (Frankel et al. 1996; O'Donnell et al. 2001).

This discussion implies significant changes in the model presented earlier in Figure 2. Using the terms of our research question, the active and purposeful creation of an entrepreneurial network is only one of the processes of an entrepreneurial network development. It is not merely a single process that occurs with different intensity over the entrepreneurial process; rather, an entrepreneurial network develops through the three different activities where the participation of an individual entrepreneur changes in intensity. Thus, we distinguish the creation of new entrepreneurial relations from activating existing informal contacts and the evolution of a network (Figure 3). The active role of an entrepreneur is significant at the first two phases; at the final phase it decreases because an entrepreneurial network starts to evolve independently.

Figure 3. The Processes of an Entrepreneurial Network Development.



The division of the process into three phases is quite relative, and the stages may overlap. For instance, our study shows that in the case of the Finnish companies the active creation of business contacts started long before the actual legal establishment of the firms. Furthermore, this does not mean that the active creation of new entrepreneurial relations ends when a company reaches the growth phase. Therefore, the figure merely demonstrates where one process dominates over another.

Different types of resources like financial capital, human capital, knowledge and opportunity recognition, new customers and outlets and internationalization were obtained through the entrepreneurial networks of Russian and Finnish companies (Neergaard 2005). Notably, for the Russian firms these resources were received mainly from informal relations while for the Finnish companies formal contacts were of great importance. However, our main interest is focused not just on specifying the resources obtained by the studied case companies but rather on viewing the dynamics of resource capabilities and their influence on networking activities.

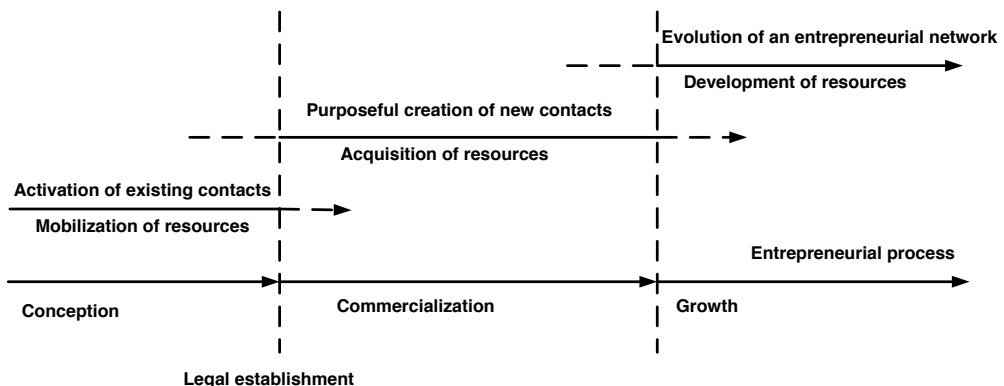
Our empirical data demonstrates that the entrepreneurial networks of the studied companies changed over the entrepreneurial process. Not only did the number and range of formal and informal contacts increase but also the nature of relations within the networks was modified (Coviello 2006; Greve and Salaff 2003; Lencher and Dowling 2003; Lencher et al. 2006).

Additionally, the findings show that at the conception phase of an entrepreneurial process the founders of future companies built the technological and organizational resource base of the firms by developing their business ideas, organizing entrepreneurial teams and obtaining competences and skills for running their future companies. At the phase of commercialization the studied firms started to make a human capital basis by hiring external personnel. As the companies grew, new customers and outlets, suppliers and co-partners needed to be found.

These findings correspond with the ideas of Coviello & Cox (2006) who suggest that the need in different resources and the ways they are obtained through network relations change over the phases. Based on this concept and our earlier discussion, we suggest a link between the three ways of obtaining resources through network relations – mobilization, acquisition and development – and the three processes of an entrepreneurial network development – activation, purposeful creation and evolution –

Figure 4 proposes the further development of our initial conceptual model and demonstrates the influence of resource obtaining flows on the network formation processes. We propose that at the conception phase the mobilization of resources and their use without ownership determines the networking activities of an individual entrepreneur. Thus, the activation of existing contacts implies using available contacts and their resources without owning them. At the commercialization phase entrepreneurs acquire external resources; in order to find them, they need to create new relations because the existing ones are already exploited. Thus, the acquisition of resources determines the purposeful and active creation of network contacts. When a company reaches the growth phase, the resources are developed within the firm without their direct generation through network relations; a network stimulates their development without supplying them; hence, a purposeful creation of new contacts decreases because an entrepreneurial network starts to evolve without the active participation of an entrepreneur. Thus, we suggest that the understanding of the resource needs of a company and the way they are received through network relations may provide useful insights into how this network is created and developed.

Figure 4. Correspondence between Resource Obtaining Flows and Entrepreneurial Network Development Processes.



5.1. Entrepreneurial Networking in a National Context: Russia and Finland

The analysis of the empirical findings show that there is a significant difference between networking activities and establishing new business relations between Russian and Finnish entrepreneurs; therefore, national context and culture influence the way entrepreneurs build their networks (Johannisson & Mønsted 1997; Fletcher & Fang 2006; Klyver et al. 2008).

The most significant difference between the studied Russian and Finnish business founders is in the composition of their networks, and more precisely, in the number of formal and informal contacts. Our study demonstrates that for the Russian entrepreneurial team informal relations play a more important role than formal ones; these relations bring more resources and are the main providers of new relations and further network expansion. Family members are particularly well presented in the entrepreneurial networks of Russian business founders; they are deeply involved in different business activities and are the main source for starting capital. We propose that the wide use of informal relations in Russian business can be explained by the components of trust and mutual obligations that are more valuable and protective in an unstable economic environment (Hallén & Johanson 2004b).

The distinct feature of obtaining new contacts in the Russian context is a special mechanism of bribing. Russian respondents mentioned paying 'otkat' as an important mechanism for obtaining new clients. We suggest that this system of 'tampering with clients' secures fragile and easily terminated relations between businesses and clients that develops from formal relations without the protection of formal documentation (Hallén & Johanson 2004b). It helps partners to adapt and integrate their relations into one system, which can be difficult within the conditions of transition economies (Salmi 1996; Johanson 2004; Hallén & Johanson 2004a). This illegal way of establishing an entrepreneurial network is probably quite widely used by the studied companies because other methods of building business relations are either unfamiliar or ineffective.

The studied Russian companies did not use the assistance of governmental institutions or business incubators that support start-up businesses and entrepreneurship. Moreover, they were not aware of the existence of such services provided by the state. Probably, it is a sign of an undeveloped entrepreneurial infrastructure that does not provide an adequate support to newly established enterprises. The other explanation could be the lack of trust in governmental institutions and their aid to new businesses. However, the answer to this question remains outside the research scope of this paper.

In contrast, Finnish firms extensively used the services of governmental organizations that support entrepreneurial initiative, institutional funds and business incubators (Neergaard & Ulhøi 2006; Tötterman & Sten 2005); these relations were regulated by official contracts. Thus, the composition of their entrepreneurial networks included numerous formal relations that were less risky and more secured (Frankel et al. 1996; O'Donnell et al. 2001). Hence, we suggest that in the Finnish context entrepreneurial networking is more effective and relations within networks are more protected due to a developed entrepreneurial infrastructure. Therefore, besides cultural factors, entrepreneurial infrastructure and the existence of entrepreneurship supporting institutions in the two countries set the difference between networking activities there.

The difference in importance of formal and informal relations in the two countries perhaps explains the different attitude towards the personal features that entrepreneurs consider vital for successful networking. Thus, Russian business founders pay more attention to personality and the ability to find common ground with potential partners whereas Finnish entrepreneurs emphasized professional characteristics and awareness of all the business details.

6 CONCLUSIONS AND IMPLICATIONS FOR FURTHER RESEARCH

Contrasting an inter-organizational view on entrepreneurial networks with the purposeful and active networking of an individual entrepreneur, we intended to explore the process of an entrepreneurial network creation with a particular focus on formal and informal relations of entrepreneurial team members and on country-specific conditions. Our study demonstrates that the creation of an entrepreneurial network is just one of the processes of network development rather than a single activity with changing intensity. We suggest that the three phases of an entrepreneurial process – conception, commercialization and growth – correspond with the three distinct processes of an entrepreneurial network development – the activation of existing contacts, the purposeful creation of new relations and evolution through indirect connections.

The study reveals that as a company grows, an entrepreneur gradually loses control over numerous relations. This fact could motivate scientific inquiry to shift the attention from the process of network creation to the process of managing and controlling established contacts. In addition it might be challenging to explore not only the three initial phases of an entrepreneurial process but also further investigate the dynamics of an entrepreneurial network at later phases. The data on the studied companies show that some of the businesses do not have extensive network connections; however, this does not prevent their growth. Hence, it remains unclear whether successful networking is only about creating new contacts or whether it also implies their effective exploitation.

The adhered resource-based view on entrepreneurial networks provides a useful understanding of the networking activities of entrepreneurs. Thus, we conclude that the three flows for obtaining resources suggested by Coviello & Cox (2006) – mobilization, acquisition and development – are conformable with the three processes of an entrepreneurial network development – activation, purposeful creation and evolution. Therefore, we show that the resource needs and their obtaining flows influence the networking activities of entrepreneurs.

Additionally, the study shows country specific peculiarities in the establishment of business relations. We provide evidence that formal and informal relations have a different representation in the entrepreneurial networks of Russian and Finnish companies. With regard to the Russian context, we also point to the special bribing mechanism for obtaining new contacts, which is used for expanding the client part of the networks. We also propose that not only cultural peculiarities set the difference in the networking activities of Russian and Finnish entrepreneurs but also the entrepreneurial infrastructure and availability of supporting institutions. Obviously, the topic of entrepreneurial networks still remains a challenging research field with many lessons to learn.

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Appendix 6 **ESSAY 3**

Galkina, T. and Kock, S. (2011) The influence of entrepreneurial infrastructure on entrepreneur networking: a comparative case study of Russian and Finnish founding teams. *International Journal of Entrepreneurship and Small Business*, 13(3), 238-254⁴.

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THE INFLUENCE OF ENTREPRENEURIAL INFRASTRUCTURE ON ENTREPRENEUR NETWORKING: A COMPARATIVE CASE STUDY OF RUSSIAN AND FINNISH FOUNDING TEAMS

Abstract

Entrepreneurial infrastructure strongly affects different outcomes of entrepreneurial behaviour, in particular, the establishment of new business relations and their development. This study aims to explore the influence of entrepreneurial infrastructure on the process of establishing new business relations and to compare the networking activities of founding team members from Russia and Finland. Adopting a process based view and following a comparative case study strategy, we found that the entrepreneurial infrastructures of the two countries, specifically referring to the stability of the economic climate, availability and access to the services of entrepreneurship supporting organisations, and the overall level of trust, all influence the ratio between formal and informal relations in the entrepreneurial networks of the founding teams studied. Our findings suggest several practical implications for entrepreneurs and business managers in both countries.

Keywords: entrepreneurial infrastructure; networking; Russia; Finland.

1 INTRODUCTION

The academic literature on entrepreneurship is strongly influenced by the network approach. Studies have recognised involvement in an entrepreneurial network and the continuous development of network relations as crucial factors in the survival and success of new ventures (e.g., Sorenson et al., 2008; Galaskiewicz et al., 2006; Kristiansen, 2004; Witt, 2004). Operating within a network provides companies with numerous tangible and intangible resources that positively influence new venture success and support business growth (e.g., Hansen, 1995; Ostgaard and Birley, 1996; Shane and Cable, 2002; Nijkamp, 2003). Therefore, many start-up companies seek various relations with other businesses and individuals (Kogut, 2000; Larson and Starr, 1993). However, the complex and dynamic nature of entrepreneurial networks makes the process of their formation complicated and challenging (Lapiedra et al., 2004).

In addition, numerous studies show that the complexity of entrepreneurial networking increases when this process is put into the context of national and cultural environments (e.g., Minniti, 2008; Jansson et al., 2007; Tan et al., 2000). However, the literature describes this interdependency between the national setting and network patterns of entrepreneurs quite vaguely, asserting that they affect entrepreneurial behaviour and exchange relations between businesses, as well as the decision to become part of a network and to maintain a position within it, among other activities [e.g., Fletcher and Fung, 2006; Michailova and Worm, 2003; George and Zahra, (2002), p.7; Hayton et al., 2002]. In addition, findings from these studies lack concrete comparative examples from which to capture and illustrate the precise differences in networking patterns of entrepreneurs across different national contexts.

In this paper, we employ the notion of an entrepreneurial infrastructure and aim to explore how it influences the process of establishing new business contacts purposefully formed by teams of new venture founders. Thus, our ambition is to contribute to the network theory in entrepreneurial research by showing the concrete link between macro-dynamics at the level of entrepreneurial infrastructure and micro-dynamics at the level of a team of individual entrepreneurs. This exploration may have more meaning and be enriched by contrasting several contexts.

The two countries, Russia and Finland, have been chosen as the basis for this case comparison for several reasons. First, the interest in transition economies explains the availability of scientific literature on entrepreneurship in Russia, whereas little research has been conducted on business creation and networking patterns in Finland. In most cases, Finnish entrepreneurship is introduced within the Scandinavian context (Johannisson and Mønsted, 1997). For this reason, the comparison of entrepreneurial networking in the chosen countries provides a valuable contribution by studying this phenomenon in a new context. Second, the two national contexts provide an advantageous basis for comparison due to the fact that the Russian economic and social environment is highly dynamic and turbulent, whereas the Finnish is more stable and predictable (Batjargal, 2006). Third, Russia is one of the most important directions of internationalisation for Finnish companies. Nowadays, many small and large Finnish enterprises expand to Russia, and many Russian entrepreneurs establish their businesses in Finland [Orlov, (1999), pp.1–2; Luostarinen, (1994), 43]. Therefore, the other aim of our study is to target business founders and managers in both countries, and to provide useful practical implications for doing business in the selected contexts.

This paper proceeds with an overview of theoretical considerations on entrepreneurial networking, entrepreneurial infrastructure and their interrelations; we also present the existing studies on Russian and Finnish entrepreneurial contexts. Further, we present the design and the methodological strategy of our study and continue with its empirical findings.

In what follows we offer our analysis of the results and discuss them. The article ends with the conclusions and practical implications from the findings.

2 CONCEPTUAL ANTECEDENTS AND RECEIVED STUDIES

2.1. Entrepreneurship and entrepreneurial networking

New venture survival, growth and resource potential strongly depend on an entrepreneur's ability to establish and maintain external relations (Lechner and Dowling, 2003; Hansen, 1995). However, development from internal resources alone is unfeasible because it is often difficult to predict what resources will be needed (Starr and Macmillan, 1990). According to Nijkamp (2003, p.401), an entrepreneurial 'hero' can primarily be described as a 'network hero' who identifies useful contacts and builds relations with them.

Guided by the definition of entrepreneurship provided by Shane and Venkataraman (2000), we understand entrepreneurial networking as a process of establishing formal and informal connections between an entrepreneur and other individuals and organisations, and further development of these contacts for opportunity discovery, evaluation and exploitation. Since the entrepreneurial networking process a priori implies dynamism and developmental changes, we adopt the process based view that is extensively applied in the entrepreneurial literature (e.g., Arenius and Ehrstedt, 2008; Smith and Lohrke, 2008; Evald et al., 2006). We employ the approach suggested by Coviello and Cox (2006), who distinguish three successive phases of an entrepreneurial process: conception, commercialisation and growth. As was done in various pieces of research, in this study we focus particularly on the early stages of this process because the establishment of business contacts at those phases determines network composition and further networking activities during the following period of time (Greve and Salaff, 2003; Evald et al., 2006).

2.2. Influence of an entrepreneurial infrastructure on entrepreneurial networking

Although some researchers provide evidence that the national entrepreneurial environment of a particular country does not affect networking patterns [Greve and Salaff, (2003), p.17], the majority of them agree on the opposite. However, this impact is described in quite general terms such as 'national context', 'environment', 'milieu' etc. that are used without clear definition. In order to avoid ambiguity in terminology, we propose a more specific notion of 'entrepreneurial infrastructure' to describe environmental conditions of entrepreneurial activities. The term 'entrepreneurial infrastructure' is relatively new in the scientific literature. According to Tan et al. (2000, p.1), it 'represents the facilities and services present within a given geographic area which encourage the birth of new ventures and the growth and development of small- and medium- sized enterprises'.

An individual entrepreneur is a product of their original entrepreneurial infrastructure; it determines the supportiveness and freedom for a new venture establishment (Hayton et al., 2002). The socio-cultural aspect reflects the extent to which a society considers entrepreneurial behaviour desirable and acceptable [Hofstede et al., (2004), p.172]. Governmental policies condition the institutional environment and the rules according to which entrepreneurs make their decisions (Minniti, 2008). Cognitive, normative and regulative functions of economic institutions affect network structure and dynamics, the role of relationships within them, and the social context of inter-firm relations (Jansson et al., 2007). In addition, networking often goes hand in hand with exchange relations that are strongly affected by traditions and integrated into socio-cultural surroundings (Johannisson and Mønsted, 1997). Thus, contextual features of the environment and its cultural peculiarities impact different outcomes of an instance of entrepreneurial behaviour and, in particular, the process of building new business relations, entering networks, and sustaining a position within them [Fletcher and Fung, 2006; George and Zahra, (2002), p.7; Hayton et al., 2002].

Klyver et al. (2009) argue that it is hard to develop a universal model of entrepreneurial networking because networking mechanisms differ, depending not only on culture but also on the phase of an entrepreneurial process; however, it is possible to identify similar networking patterns in some groups of cultures. To identify these patterns, and to reach optimal efficiency and effectiveness in creating new business contacts, and to manage them, one has to approach them meaningfully with special attention paid to the complex combination of their economic, political, social, historical and cultural backgrounds [Michailova and Worm, (2003), p.509].

2.3. Formal and informal relations in entrepreneurial networks

Business partnering among entrepreneurs and further formation of entrepreneurial networks to achieve multiple goals suppose a high degree of flexibility when formal and informal relations are complementary modes of cooperation (Bowonder and Vonortas, 2004). Formal relations imply the existence of a written document or contract that protects cooperation and inter-organisational integration [Frankel et al., (1996), p.49]. This agreement regulates the activities of counterparts because it implies sanctions and penalties for failed performance (Henriksen, 1995). However, formal relations based on a written contract can provide stability and a lower level of risk if the legal framework behind them is adequately supported.

Informal relations are grounded in the history and social context of a relationship where obligations between counterparts are based on mutual interest and commitment [Frankel et al., (1996), p.49]. Resulting from everyday communication [O'Donnell et al., (2001), p.750], these unwritten agreements can be stronger than legal authority or formal applications of power because they are built on trust and mutual goals to achieve positive outcomes. When a legal infrastructure is complex and unstable or when relationships develop dynamically, informal agreements help to establish flexible and long-term commitment, which is not always feasible through formal contracts (Frankel et al., 1996).

2.4. Russian entrepreneurial infrastructure and networking patterns

In the early 1990s, the dramatic shift from the system of state planning with its strict control and tight structure of chain relations towards a free market economy forced Russian enterprises to adjust to unfamiliar network relations and find the most favourable position in these networks (Salmi, 1996). This radical change caused the dissolution of numerous business relations, and new customers and suppliers had to be found; however, newly established contacts were very fragile and easily terminated due to the lack of trust, scant business and networking competence (Hallèn and Johanson, 2004). As a whole, the entrepreneurial environment in Russia can still be characterised as very unsteady and quite 'unworkable' for new businesses [Aidis et al., (2008), p.658].

The distinct feature of unstable economies under transition is the strong presence of an informal component in interpersonal relations in general (Barsukova, 2006) and in business networks in particular (Rogers, 2006; Batjargal, 2006). Those Russian entrepreneurs who had established social relations with customers, employees, and state officials from their previous instances of employment by the state, had lower costs for starting a business and a lower failure rate (Batjargal, 2006). In addition, the involvement of family members and friends positively correlates with a new venture's survival (Rogers, 2006). Also, finding new employees and hiring personnel is primarily conducted through weak informal ties (Yakubovich, 2005).

Russian entrepreneurs' ability to create social relations with local authorities is recognised as the main component of adaptation to an uncertain business environment and control (Gurkov et al., 1997). Often relations between businesses and the state feature a strong patron-client bond [Frye, (2002), p.1119]; entrepreneurs tend to rely on personal ties with

state officials, rather than on official business organisations. Often these relations with state institutions have criminal features because they are connected with bribery and side incomes (Radaev, 1999).

The explanation for the high presentation of informal relations in the networks of Russian entrepreneurs partly refers to the undeveloped legal system in the country, the collapse of governmental institutions and moral heritage of social chaos after the breakdown of the Soviet regime (Batjargal, 2006, 2007). Hendley et al. (2000) argue that the irrelevance of Russian laws limits the ability to rely on them; 'when people do not trust the state, they establish the rules themselves' [Sidorov et al., (2000), p.922]. Informal practices substitute for relations with formal state authorities that often are unable to support entrepreneurial initiatives effectively [Aidis et al., 2008; Jansson et al., (2007), p.959]. In Russia, this situation becomes quite paradoxical – a general lack of trust in business contrasts with the high level of trust in interpersonal business relations [Hendley et al., (2000), p.531].

In this atmosphere, the costs of business partnering, relationship replacement and their tracking become very high; network creation, expansion and enrichment may be difficult and take a long time (Batjargal, 2007). Often, the establishment of business relations starts from a position of strong suspicion and the expectation of cheating; however, if these relations prove to be reliable later on, they weigh higher than legal written agreements (Johanson, 2004; Jansson et al., 2007). Since network restructuring is risky, Russian entrepreneurs are reluctant to change their connections and give up the structural properties, diversity and size of a network in favour of its composition quality (Batjargal, 2007). So they are relationally inert because established contacts prevent them from engaging in further networking and creating new contacts; this phenomenon is called the 'ceiling effect' (Batjargal, 2006).

The lack of institutional development and the existence of little support for entrepreneurial initiative in the country are also reflected in peculiar national characteristics of business partnering and networking. One of these distinct features is *blat* that can be described as an alternative social mechanism or an informal barter system within personal networks where favours, gifts and money are exchanged and through which status is attributed [Aidis et al., (2008), p.660; Batjargal, 2006; Rehn and Taalas, 2004; Ledeneva, 1999; Berliner, (1952), p.356]. It provides access to different resources through personal relations; it also sets limits to networking activities in the sense that a person knows whom to network with and whom to ignore. Outsiders have limited access to the *blat* network due to its illegal characteristics that members tend to hide and keep closed (Michailova and Worm, 2003). Radaev (2005) indicates that in Russian regions where the institutional system functions more effectively (federal centres such as Moscow and St. Petersburg) the importance of *blat* has decreased.

Otkat is another phenomenon of business relations and entrepreneurial culture in Russia. Though there is no direct translation into English, the meaning of the word is close to 'kickback' or 'tampering with a client'. It is an indirect bribe in the form of commission that a manager receives from a supplier for signing a contract with the latter. Often, the contract is signed with the supplier who offers greater *otkat*. Since *otkat* is paid unofficially and based only on informal agreement, it is difficult to detect this bribery, which consequently becomes a source for shadow revenue [Radaev, (2002), p.62].

Entrepreneurship supporting institutions are an important part of the institutional environment that influences entrepreneurial activities. According to the study by Bruton (1998), Russian business incubators have some distinctive features. Besides the common goals of improving economic development through the technology transfer and commercialisation of scientific innovations, they also have another orientation focused on decreasing the 'brain drain' from the country. In addition, the studied incubators offered services especially oriented towards new ventures' internationalisation activities; this can be explained by the poor ability of start-ups to sell their products domestically. Due to the turbulent business environment, the incubators do not have a forced graduation policy, and

even if a firm outgrows an incubator it can still use the full package of its services. Matsnev (2006) argues that there are still very few technology parks and business incubators in Russia; even existing ones are mainly concentrated in the Moscow region and have a poor infrastructure, telecommunications systems, and financial base because of the limited support from federal and local governmental agencies.

2.5. Finnish entrepreneurial infrastructure and networking patterns

The topic of entrepreneurial networking in Finland and the Finnish entrepreneurial infrastructure is not well covered in scholarly literature; in many instances, Finnish entrepreneurship is studied in the wider context of Scandinavian countries. Thus, Klyver et al. (2009) provide a comparison of 20 countries concerning the importance of networking activities during new venture establishment. The results of this study demonstrate that in Finland network relations are the most useful at the stage of opportunity discovery and early growth.

Johannisson and Mønsted (1997) also maintain that in Scandinavian countries and Finland in particular, entrepreneurial networks provide psychological support and legitimacy. This importance of network ties relates to the historical peculiarities of the Nordic region; in the past, when areas were sparsely populated and urban centres were very distant, networks were crucial social mechanisms that served a local control function to prevent opportunism and to detect misbehaviour. Nowadays, it is common that new firms are started in the place where an entrepreneur lives; hence, control from the local community and structured networks of existing firms in a region strongly affect new businesses and their entrepreneurial networking (Johannisson and Mønsted, 1997).

Most of the works on entrepreneurial infrastructure in Finland relate to the studies of business incubators and science parks in the country. These organisations are promoted both by government and research communities; they link academia and the business world, legitimise new venture start-ups and help to establish useful business relations (Johannisson and Mønsted, 1997). Autio and Klofsen (1998) describe the main features of the Finnish business incubator Spinno in the Helsinki metropolitan area; its distinct characteristic is that it has an extensive network with many of the country's universities and the same financial mechanism. In additionally, state and industry stakeholders are widely involved in the work of the incubator, and services are particularly focused on hands-on consulting that enables entrepreneurs to develop their ventures with greater chances of success (Autio and Klofsen, 1998).

Business incubators in Finland have a broad variety of scope and are not concentrated only on technology based start-ups; they support newly established companies in the design, media, textile clothing, IT, manufacturing and other industries [Tötterman and Sten, (2005), p.494]. Even those business incubators that are located far from the capital region have strong links with venture capitalists, financiers, governmental institutions, and patent authorities; they successfully provide tenants with the capacity to find the appropriate resources needed to develop a new company [Tötterman and Sten, (2005), p.503].

Table 1 summarises the main features of entrepreneurial networking patterns in Russian and Finnish entrepreneurial infrastructures.

Table 1 Entrepreneurial infrastructure and networking patterns in Russia and Finland

Countries/ networking dimensions	Russia	Finland
Entrepreneurial infrastructure	<p>Economic instability, 'unworkable' entrepreneurial environment;</p> <p>Low development of legal support for start ups;</p> <p>Low level of trust in authorities and institutions;</p> <p>Limited number of business incubators and their concentration near the federal centres</p>	<p>Strong control from local communities and small firms over entrepreneurial activities;</p> <p>Wide availability of business incubators and science parks with a large variety of services all over the country</p>
Networking patterns	<p>Fragile and easily terminated business relations; little business and networking competence;</p> <p>Low level of trust; relationship replacement or creation takes a long time;</p> <p>Strong presence of informal component in business relations as an adaptation mechanism to uncertainty (<i>blat</i> and <i>otkat</i>);</p> <p>Criminal features of business relations</p>	<p>Low level of opportunistic behaviour and cheating;</p> <p>Legitimacy and support are obtained through local networks;</p> <p>Through entrepreneurship supporting institutions entrepreneurs establish relations with different financiers and governmental authorities</p>

3 RESEARCH DESIGN AND METHODOLOGY

The complex and multi-faceted nature of network relations and our specific focus on the process and context of their establishment endorses our methodological choice for a qualitative approach (Yin, 1994; Halinen and Törnroos, 2005). Our empirical inquiry follows comparative multiple-case study strategy and considers founding teams from four Finnish and three Russian small firms; according to Eisenhart (1989), seven cases is sufficient to achieve robust results for analytical generalisation and feasible to withstand data volume.

The main criteria for a company's selection were the stage of the company's development – namely start-up, commercialisation and early growth – and the existence of an entrepreneurial team of several founders. For the identification of an entrepreneurial team, we used the three criteria suggested by Ensley et al. (1998) for persons to be considered as members of an entrepreneurial team: joint establishment of a new business, financial interest, and a direct impact on the firm's strategy. In our setting, the studied companies have between two to five founders in their founding teams. Their size ranges from one to 30 employees.

The empirical data for our study were gathered through semi-structured interviews. In total, we conducted 20 interviews with the members of the entrepreneurial teams of the selected case companies. Each interview lasted about 35–40 minutes, was recorded and further transcribed. In order to reveal context-rich and profound information, and to enhance analytical generalisability of research results, we used critical incident technique in our interviews [Chell, 2004; Gummesson, (2000), p.136]; thus, we asked the respondents to give an example of the most successful and the most unsuccessful establishment and development of business relations.

In order to capture the dynamics of business relations establishment and changes in this process over the companies' development, we also employed some elements of historical analysis [Gummesson, (2000), pp.97–111]. Thus, we included in the interview guide, questions about changes in respondents' formal and informal relations and asked interviewees to describe how their entrepreneurial networks developed from the past into the current state.

In preparation for interview meetings we also incorporated secondary sources, namely the case firm's website (if available). Because the usage of these data was quite limited and context sensitive (Foster, 1994), we addressed them only to get correct general information about the companies, their core strategies and partners.

The data collected from the qualitative interviews were developed into themes in order to analyse commonalities and differences in the data. In order to ease the comprehension of information about complicated and overlapping network relations and to present it visually in a unified manner (Wasserman and Faust, 1994; Scott, 1991), we employed graph notations. Thus, the respondents' entrepreneurial networks were graphically represented as systems of nodes joined by lines (in cases of non-directional relations) or arrows (in cases of directional relations); these pictures served as a visual tool for the further analysis of network relations.

4 EMPIRICAL FINDINGS

4.1. Networking at the conception phase

At the point of the legal start-up, the networks of Russian entrepreneurs comprised mainly informal contacts with friends, former university friends, colleagues etc. In two cases, family members had a significant involvement in the business through financial support. Interestingly, some founders highlighted the fact that their business had become possible only because of certain relations that were totally informal in nature. Financial support, relevant information and opportunity recognition were the main resources obtained through these relations. None of the Russian entrepreneurs took any loan from banks or other investors; neither did they use support from state institutions, incubators, or other developmental programmes.

When the respondents were asked if they knew that these services existed, they replied that they were not aware of them. When Russian entrepreneurs started their businesses, they already had established informal networks with supply and/or client firms, which were developed due to previous work experience. Later on, in the commercialisation phase, these informal relations became a basis for contractual agreements that could secure first orders' revenues.

For Finnish entrepreneurs, the network of their relations that they used to start the companies comprised both informal and formal contacts. The informal relations were mainly represented by friends and colleagues from previous workplaces. Notably, family ties were mentioned only as providers of emotional support. Formal connections were recognised as an important part of the networks; for example, each of the case companies made written agreements with the patent units, or units of innovation development at local universities, to secure their business ideas. In addition, even before legal establishment, Finnish entrepreneurs developed many formal contacts with venture capitalists and investors through participation in various start-up projects (e.g., Liksa and Intro) organised by governmental organisations such as Tekes, Sitra, and Finvera and technology park Technopolis. For three out of the four case companies, participation in these projects was the main source of start-up capital, industry information, and core relations with venture capitalists. As Finnish respondents noted, information about these entrepreneurial programmes was easily available, and participating in developmental projects was one of the first activities undertaken when starting their company.

4.2. Networking at the commercialisation phase

When developing businesses through first-round relations alone became insufficient, the entrepreneurs from the studied firms had to seek out other contacts. The Russian entrepreneurs concentrated their networking activities on expanding relations with clients. They proactively sought out new customers at specialised exhibitions and industry events; also they used simple Internet searches, sending e-mails with business proposals, and making phone calls. One of the founders described the process of creating new contacts as follows: "I know somebody in the city, somebody knows me; we just meet, discuss the deals and start doing things together." He noted that relations with partners always start informally; this idea corresponds with the thoughts of another respondent who said that "In Russia everything is basically built on informal relations, and a person behind a contract is more important than the contract."

The Russian entrepreneurs admitted that in many instances they used the *otkat* bribery mechanism for obtaining new customers. The respondents indicated that this method of getting new clients had been employed at the outset of the companies' operations when they had an unstable position in the market and when the relations with the partners were mainly

informal. Once the firms had built a sustainable customer network and could choose who to deal with, they started to avoid this type of relation with clients and make more formal contract-based agreements. Finnish founders expanded their networks by attending various fairs and thematic events and browsing the Internet. However, they continued extensively using institutional support from the above mentioned entrepreneurship supporting organisations. These organisations provided various services to bring together new ventures, potential customers and financiers; the Finnish founders could through their networks find additional investors and became connected with industry specific associations, advertising companies, and competitors. In one case, a studied Finnish firm found important relations through a specialised journal.

4.3. Networking at the early growth phase

When the studied firms developed in an early growth phase, many important business relations were obtained not only through the direct efforts of the founders but also indirectly through other relations on a formal or informal basis. For example, the Russian entrepreneurs found new customers and new business partners through recommendations from their customers. Likewise, the Finnish founders received new connections indirectly through recommendations from university contacts and entrepreneurship supporting organisations. Because establishing these relations was comparatively effortless, the respondents termed these cases the most successful networking experiences.

Both Russian and Finnish interviewees say that currently they have more formal contractual agreements than at the early start-up phase. However, the informal and personal component of these relations remains highly crucial for further network expansion and maintenance. Several entrepreneurs indicated that a growing number of formal inter-firm relations results in many new informal contacts at a personal level. Table 2 summarises the case data. The presented findings lead to the corresponding analysis and discussion further offered below.

Table 2 Networking patterns of Russian and Finnish entrepreneurs during the entrepreneurial process

	Conception	Commercialization	Early growth
Russian entrepreneurs	<p>Only informal relations are present in entrepreneurial networks;</p> <p>High degree of involvement of family members;</p> <p>No assistance from entrepreneurship supporting organizations;</p> <p>Ready established network of buyers and suppliers</p>	<p><i>Blat</i> and <i>otkat</i> as informal mechanisms of expanding entrepreneurial networks;</p> <p>No assistance from entrepreneurship supporting organizations;</p> <p>Attending industry events, specialized exhibitions, searching for new partners through the internet and phone calls form just some examples of networking techniques</p>	<p>Indirect network expansion through Informal recommendations;</p> <p>Growing number of formal relations;</p> <p>Overlap between formal and informal relations</p>
Finnish entrepreneurs	<p>Besides an extensive informal network, formal relations are well represented;</p> <p>Family members are not involved in networks;</p> <p>High level of support from entrepreneurial organisations</p>	<p>High level of support from entrepreneurial organizations;</p> <p>Attending industry events, specialized exhibitions, searching for new partners through the internet and phone calls form just some examples of networking techniques</p>	<p>Indirect network expansion through entrepreneurship supporting organizations;</p> <p>Growing number of formal relations</p>

5 ANALYSIS AND DISCUSSION

The collected data demonstrate a considerable difference between networking activities and establishing new business relations among Russian and Finnish business founders. This difference mainly relates to the ratio between formal and informal relations in their networks and their further exploitation to obtain new business contacts. Our findings demonstrate that at the point of companies' legal establishment, Russian entrepreneurs employed extant informal relations with friends, former university friends, colleagues etc. for entrepreneurial purposes. Family members are particularly well represented in their entrepreneurial networks; they are deeply involved in different business activities and are the main source for starting capital (Rogers, 2006).

Even before the legal start-up, the Russian entrepreneurs had prevalent and quite reliable circles of suppliers, customers and private investors that were developed through the conception phase. These contacts were based only on personal obligations and unwritten agreements of mutual support. These relations can be characterised as a *blat* network [Aidis et al., (2008), p.660; Batjargal, 2006; Rehn and Taalas, 2004; Ledeneva, 1999; Berliner, (1952), p.356]; although they were not totally closed to outside players and were not based on monetary factors alone (Ledeneva, 1999; Michailova and Worm, 2003; Jansson et al., 2007). Since there were no contract agreements between parties, it was the personal relations that were trusted, counted on the most, and secured the initial business operations.

The Finnish entrepreneurs also relied extensively on the informal relations that were represented by contacts with university friends, colleagues, friends and life partners. However, alongside the informal relations, at the conception phase they already had quite a broad formal network with investors who became co-owners in the case of one company. Also, they had formal agreements with patent units, consulting firms, innovation centres, and business incubators; and the number of the formal contacts increased through the entrepreneurial process. We suggest that because formal relations with entrepreneurship supporting organisations were highly reliable and provided various professional services of a high quality, Finnish entrepreneurs did not have the need to seek additional support through informal relations. Perhaps this explains the fact that Finnish business founders did not very extensively use relations with family members for business purposes, in contrast to Russian entrepreneurs. However, there might be other factors (e.g., cultural) that affect the involvement of family members in the business in Finland, and the exploration of this effect lies outside the boundaries of our study.

The study findings demonstrate that Russian and Finnish entrepreneurs used common techniques to obtain new relations at the commercialisation and early growth stages. They tried to make their businesses visible through attending business events, participating in exhibitions, regular internet searches etc. In addition, Finnish respondents indicated the extensive use of entrepreneurial organisations in their network expansion. Although the methods of building new contacts are quite similar, their nature is different. It is not the case that, for instance, Finnish entrepreneurs purposefully established formal relations and tried to avoid informal ones, and Russian business founders conversely relied on informal contacts alone. The entrepreneurial infrastructure determined the nature of these business relations, their 'workability'.

In our opinion, the formality and informality in business relations have different values and meanings for Russian and Finnish entrepreneurs. These values are affected by the availability of state support and the development of entrepreneurship supporting institutions. Thus, according to our study, in Finland where business incubators, innovation parks and venture associations are extensively promoted, exploited and trusted, entrepreneurs first rely on relations with these organisations and seek close cooperation with them (Tötterman and Sten, 2005; Autio and Klofsen, 1998). Formal agreements and signed

contracts between Finnish business founders and these entrepreneurship supporting institutions tend to work in the Finnish context and, therefore, become the main providers of mutual obligations, guarantees and trust. Hence, formality in relations is perceived as protection and risk mitigation.

Conversely, for Russian entrepreneurs, informality of relations is the main indicator of trust and protection in conditions of a turbulent economic environment (Hendley et al., 2000; Hallén and Johanson, 2004). They do not employ the assistance of governmental institutions or business incubators that support start-up businesses and entrepreneurship. Moreover, as our cases show, they are not aware of the existence of such services provided by the state (Bruton, 1998; Matsnev, 2006). Instead, in conditions of an undeveloped entrepreneurial infrastructure the formal support from the state is substituted by support from informal networks that turn out to be more resourceful and reliable (Batjargal, 2006, 2007; Sidorov et al., 2000; Hendley et al., 2000; Jansson et al., 2007).

Alongside the above mentioned *blat* network, the other informal mechanism was used to expand networks and, for instance, build new partnering relations with clients. All the Russian respondents mentioned the system of *otkat* or hidden payments made to guarantee sales and secure the client base (Radaev, 2002). This kind of bribe paid directly to a person, avoiding an official record in documentation, secures otherwise fragile relations between firms (Salmi, 1996; Johanson, 2004); the *otkat* system works and sometimes turns out to be the only efficient way to do business because both sides benefit from the deal – one party gets money, the other party a ready market. Since *otkat* is paid informally, it is almost impossible to prove a case of bribery.

Our findings show the common trend in both Russian and Finnish firms, namely the increasing number of formal relations in the commercialisation and early growth phases of the entrepreneurial process. The formal relations appeared in the entrepreneurial networks of Russian business founders after the legal start-up at the commercialization phase. Perhaps this extension of formal relations can be explained by the fact that after the legal registration of the firm, the founders acted on behalf of their companies as a juridical entity. However, the informal relations constituted a bigger portion of contacts in the entrepreneurial networks, and the personal component underlying business relations was valued higher and remained very decisive (Rogers, 2006; Batjargal, 2006; Jansson et al., 2007). Thus, in the cases of Russian business founders, formal relations clearly intersect and overlap with informal ones.

Another common feature in the process of networking for Russian and Finnish entrepreneurial teams is the indirect expansion of the entrepreneurial networks, which occurred without any direct effort on the part of the business founders through recommendations from existing partners. However, we see an important difference in this indirect development of networks. The Finnish companies were promoted by the entrepreneurship supporting institutions because this kind of service was mentioned in the contract. The Russian entrepreneurs did not use this type of service; their indirect relations appeared on an informal basis, which was a kind of ‘investment’ from their partners implying “if I recommend them now, probably they would recommend me too in the future”.

These differences, discussed above, in the networking practices of Russian and Finnish entrepreneurial teams, confirm the idea that the entrepreneurial environment, specifically referring to the stability of the economic climate, availability and access to the services of entrepreneurship supporting organisations, and overall level of trust, influence the way in which entrepreneurs establish new business relations and employ existing ones for further network development (George and Zahra, 2002; Hayton et al., 2002; Johannisson and Mønsted, 1997; Fletcher and Fang, 2006; Klyver et al., 2008; Michailova and Worm, 2003; Jansson et al., 2007).

6 CONCLUSIONS AND PRACTICAL IMPLICATIONS

Our study confirms the idea that the particular qualities of an entrepreneurial infrastructure have a strong impact on the networking activities and business partnering of an individual entrepreneur. The comparison of Russian and Finnish founding teams indicates that this influence mainly refers to the ratio between formal and informal contacts in an entrepreneurial network and their value to the business. Thus, in Russia with its unstable economic climate, lack of governmental support for entrepreneurial initiative, and generally low level of trust, informal relations are regarded more secure, trustworthy and resourceful. Therefore, they substitute formal agreements especially at the initial phases of an entrepreneurial process. In contrast, Finnish entrepreneurs rely more on formal relations where a signed contract is a strong guarantee for a deal; hence, at the conception stage, they already possess an extensive formal network with various authorities, investors, business incubators etc. A highly developed entrepreneurial environment and the availability of different services from business supporting organisations help Finnish business founders obtain a high quality content network in the early stages of a new venture development. Thus, our study suggests an important link between macro dynamics at the level of entrepreneurial infrastructure, state innovation policy, and business regulations, and micro dynamics at the level of a team of individual entrepreneurs and their networking activities.

Since many Finnish enterprises seek new business opportunities in Russia, and Russian companies also internationalise to Finland, the findings of this study can provide useful practical implications for internationalisation for entrepreneurs and business practitioners in both countries. Entrepreneurs from the two countries should be aware of the different networking patterns and different values placed on formal and informal relations, because they can challenge their ability to recognise business opportunities and see which relations they might come from. Dealing with business incubators and innovation parks and possessing purely formal contacts with business partners might be unusual for Russian entrepreneurs; whereas, Finnish entrepreneurs might find it difficult to develop personal relations with people who they do business with.

It is also important to remember that the dissimilarity in the attitudes towards formality and informality in business relations can cause suspicion and even termination of relations. For instance, Finnish entrepreneurs may consider a written agreement sufficient for business relations; however, Russian entrepreneurs would regard it as a loose relation that cannot be fully trusted. Also, orienting and positioning in a foreign network where formal and informal relations are treated differently can take a long time and much effort.

To overcome these challenges, and decrease the risks attached to unsuccessful networking, we suggest Finnish firms with ambitions to internationalise learn from the experiences of other Finnish companies that already have stable relations with Russian partners. It may also be helpful to find a reliable professional consultant or a 'proxy' from a local environment (probably through a recommendation) who would serve as a source of new contacts and information that can be more valuable than services offered by Chambers of Commerce and other authorities. Russian entrepreneurs expanding to Finland should learn the appropriate new ways of building business relations on a formal basis and use the network opportunities provided by entrepreneurship supporting organisations.

We believe that these implications can be applicable not only to Finnish firms but also to other Nordic and Western companies expanding into Russia. In addition, the findings of this study can be used as a basis for a further exploration of the networking activities of Finnish companies in Russia and Russian companies in Finland.

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Appendix 7 **ESSAY 4**

Galkina, T. (2012) Balancing the opposites: Causation and effectuation in the process of entrepreneurial networking. Paper presented on the 22nd Nordic Workshop on Interorganizational Research in Trondheim, Norway.

BALANCING THE OPPOSITES: CAUSATION AND EFFECTUATION IN THE PROCESS OF ENTREPRENEURIAL NETWORKING

Abstract

Causation and effectuation are continuously intertwined and balanced in entrepreneurial activities. However, the emerging field of effectuation primarily focuses on exploring the effectual logic of reasoning. It remains unclear how causal and effectual actions can unfold together. This article positions causation and effectuation in the context of entrepreneurial networking to explore how entrepreneurs establish relations following causal and effectual logic, and how they balance the two opposing activities. The empirical substance of this study is based on a multiple-case study of six Finnish start up firms. The findings help outline the process of effectual networking in contrast with causal networking, and show the meaning of effectuation principles in the context of entrepreneurial networking. The results also demonstrate that besides the stage reached in a venture's life-cycle, and conditions of uncertainty, relationship content and entrepreneurial personality also affect the preference for either causal or effectual networking. In addition, this study shows that novice entrepreneurs follow effectual networking strategies, while their experienced counterparts favor causal networking strategies. This finding contradicts the extant research on effectuation.

Key words: entrepreneurial networking; causation; effectuation.

INTRODUCTION

The network approach has been well established in entrepreneurship research (Jack et al., 2010; Anderson, Dodd and Jack, 2010; Hoang and Antoncic, 2003). Numerous scholars agree that involvement in different relationship structures provides access to a variety of tangible and intangible resources, and positively affects new venture performance and growth (e.g., Starr and Macmillan, 1990; Hansen, 1995; Ostgaard and Birley, 1996; Aldrich and Zimmer, 1996; Anderson and Jack, 2002; Lechner and Dowling, 2003; Witt, 2004; Neergaard, 2005). From this perspective, entrepreneurs establish various relations in response to specific resource needs, which in turn are driven by the venture goal.

However, many scholars recognize that entrepreneurial relations can be established without an initial strategic intent (Halinen and Törnroos, 2005; Slotte-Kock and Coviello, 2010; Welch and Welch, 1996; Ritter, Wilkinson and Johnston, 2004: 177; Harris and Wheeler, 2005). Although evidence of entrepreneurial networking is widespread, it has attracted little research attention because the established concepts within entrepreneurial network studies follow the logic of predictive rationality and are unable to explain this phenomenon. At best, scholars simply acknowledge the existence of this phenomenon but do not progress its discussion further.

Sarasvathy (2001; 2008) introduces the alternative logic of effectuation that differs from predictive rationality reasoning or causation. This alternative logic implies that human actions are not driven by predefined goals but start from the available means. She also states that causation and effectuation are balanced and constantly intertwined in entrepreneurial action. However, it remains unclear how effectual and causal processes can unfold simultaneously.

Therefore, the aim of this paper is to explore how causation and effectuation are balanced in the process of entrepreneurial networking. By doing so, this article will serve as a response to numerous calls for the study of the dynamics of entrepreneurial networks and to enhance the understanding of their complexity (Halinen and Törnroos, 2005; Jack et al., 2010; Jack, 2010: 131; Anderson, Dodd and Jack, 2010; Jack, Dodd and Anderson, 2008). It will also

extend effectuation theory by applying its principles to the context of entrepreneurial relations and their formation. According to several scholars, studies in this area would help to advance effectuation research (Perry, Chandler and Markova, 2011; Chandler et al., 2011; Venkataraman et al., 2012: 29).

This article is organized as follows. First, the theoretical section discusses the notions of entrepreneurial networks and networking. Further, it introduces the effectuation concept and shows how it differs from causation. Building on this difference, it provides the process model contrasting causal goal driven networking with effectual non-goal driven networking. Second, the methodology section shows the motivation behind the qualitative aspect of the study – the data collection process and data analysis. Third, the next section demonstrates the received findings and discusses them in relation to the theory. Fourth, and finally, the last section provides conclusions from the study and shows how the results can be employed for future research.

1 THEORETICAL ANTECEDENTS

1.1. Entrepreneurial networking

The network approach in entrepreneurship has built on two research streams, namely the business and social network approaches (Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010). Therefore, entrepreneurial networks can be understood as ‘the sum total of relationships in which an entrepreneur participates, and which provide an important resource for his or her activities’ (Dodd and Patra, 2002: 117), meaning that they combine both formal interorganizational relations and informal interpersonal connections. While the notion of entrepreneurial networks emphasizes their ‘patterned, predictable exchange structures’ (Larson, 1991: 173), the construct of entrepreneurial networking has a different nature (Shaw, 1997; Shaw and Conway, 2000; Johannisson, 2000; O’Donnell et al., 2001: 755; Hoang and Antoncic, 2003; Jack, 2010) and refers to the actual dynamic process of entrepreneurial network creation through establishing various business and social relations (Kase and Yu-Shan Liu, 1996: 14; Johannisson and Mønsted, 1997; Dodd and Patra, 2002; Jack, Dodd and Anderson, 2008: 126). Thus, networking as a process emphasizes entrepreneurs’ behavioral attributes and abilities to form ties (Neergaard, 2005: 259).

The resource-based perspective of entrepreneurial networks provided above strongly links entrepreneurial relations with strategy and goal driven thinking grounded in bounded rationality (March, 1981; 1988). This goal oriented logic is particularly present (albeit implicitly) in studies showing the influence of various entrepreneurial relations and the ability to coordinate them in new venture survival and growth (Larson, 1991: 174; 1992; Hansen, 1995: 17; Anderson and Jack, 2002; Slotte-Kock and Coviello, 2010: 46). However, not all entrepreneurial actions are driven by a predefined goal. The following subsection uncovers the alternative non-goal oriented logic of reasoning.

1.2. Causation versus effectuation

According to Sarasvathy (2001; 2008), effectuation is the alternative logic of human action that is an inversion of predictive rationality or causation. By definition, ‘causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means’ (Sarasvathy, 2001: 245). She extends the difference between the two processes further and states that ‘causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct. Causal strategies are useful when the future is predictable, goals are clear and the environment is independent of our actions; effectual strategies are useful when the future is unpredictable, goals are unclear and the environment is driven by human action’ (Sarasvathy, 2008: 73). Thus, causation and effectuation are integral parts of human reasoning; however, they follow different principles:

- *Means driven vs. goal driven action.* Causal action starts with defining how the new venture will look, what markets to target, and whose needs to satisfy. Effectuation, instead, starts by looking at the available means. The set of effectual means includes ‘Who I am’, ‘What I know’, and ‘Who I know’ components (Sarasvathy, 2001: 253; Wiltbank et al., 2009; Read et al., 2009: 4). With this set of means and using their imagination, entrepreneurs focus on generating potential new opportunities.
- *Leveraging contingencies vs. exploiting pre-existing knowledge.* Causal entrepreneurs exploit pre-existing knowledge and try to avoid unexpected outcomes that do not fit into a given plan of action because they are considered to be disadvantages. Conversely, effectual entrepreneurs are open to contingencies

and leverage them because they can be transformed into new opportunities (Sarasvathy, 2001: 252). Therefore, uncertainty is perceived as a resource rather than as a disadvantage because an unexpected event, either positive or negative, can be turned into an opportunity that provides control over the emerging situation (Sarasvathy, 2008: 89-90).

- *Affordable loss vs. expected returns.* Causal action implies ‘maximising returns by selecting optimal strategies’ (Sarasvathy, 2008). However, when a new venture does not exist yet or a new market has not yet been created, it is impossible to calculate the amount of future sales and possible risks and, thus, to predict returns. In this situation, entrepreneurs can only assess how much they can afford to lose in the worst case scenario (Sarasvathy, 2008: 81) and, therefore, do not need to predict the future beyond the extent to which they can control it (Sarasvathy, 2001: 252; Dew et al., 2009: 293; Read et al., 2009: 3).
- *Partnership vs. competitive analysis.* Causal entrepreneurs often undertake systematic market research and analysis of competitors. However, markets may not exist, for example, in the case of developing some innovative products and, therefore, effectual entrepreneurs employ their existing relations and commitments to co-create the structure of a new venture, define what market to enter, or what new market to create (Sarasvathy, 2001: 252; Read and Sarasvathy, 2005; Dew et al., 2011).

This last principle has become one of the most discussed issues in the effectuation literature. For instance, the study by Chandler et al. (2011) demonstrates that alliances and pre-commitments that constitute the essential part of effectual relations do not differentiate effectual actions from causal ones because they are equally employed in both. Therefore, several authors suggest that, in order to move effectuation research forward, scholars need to focus on studying entrepreneurial interactions and examine what entrepreneurial relations mean and how they develop in the context of effectuation (Perry, Chandler and Markova, 2011; Chandler et al., 2011; Venkataraman et al., 2012: 29). Responding to these proposals, and assuming that effectuation is an inversion of causation (Read and Sarasvathy, 2005: 50), this article suggests that the way effectual entrepreneurs form their networks can be better understood through contrasting this process with goal oriented networking.

1.3. Contrasting the two processes

1.3.1. Causal networking

This article views causal networks as systems of relations formed through the causal logic of reasoning described above. Consequently, the process of their establishment is termed causal networking. Accepting that causation is a goal driven action (Sarasvathy, 2001; 2008), this paper proposes that networking through causal principles can be best represented by the strategic network view. The idea of causation lays within the very definition of strategic networks that are seen as relatively large interorganizational systems within industries and ‘long-term, purposeful arrangements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantage vis-à-vis their competitors outside the network, by optimizing activity costs and minimizing coordination costs’ (Jarillo, 1995: 149). In this definition, ‘long-term, purposeful arrangements’ refer to the overall goal driven action within strategic networks; the focus on ‘distinct but related for-profit organizations’ and on ‘competitors outside the network’ implies that firms can differentiate their own strategic network, identify separate relations within it, and contrast it with outside networks based on extant knowledge regarding different network structures; ‘competitive advantage’ and ‘optimizing activity costs and minimizing coordination costs’ emphasizes that actors in these networks tend to maximize expected returns from the

strategic partnership; finally, 'competitors outside the network' point to conducted competitive analysis.

The strategic network view has extensively influenced and is an integral part of the business network approach (Forsgren and Johanson, 1992; Törnroos, 1995: 5), which, is one of the fundamental foundations of network research in entrepreneurship (Hoang and Antoncic, 2003; Slotte-Kock and Coviello, 2010). For example, the definition of entrepreneurial networks provided earlier in this paper shows that the network research in entrepreneurship has inherited this presumption and views networks as systems of relations that develop according to venture goals and resource needs. Also, this goal oriented logic is particularly present (albeit implicitly) in the studies stating that new venture survival and growth depends upon entrepreneurs' abilities to establish and coordinate various relations according to the venture goals (Larson, 1991: 174; 1992; Hansen, 1995: 17; Anderson and Jack, 2002; Slotte-Kock and Coviello, 2010: 46). Similarly, Larson and Starr (1993: 7) provide the network model of organization formation and suggest that, throughout the entire process of venture formation, entrepreneurs establish dyadic relations according to the business definition of the emerging firm and its resource needs. This idea implies that the entrepreneurs know in advance what resources will be essential to their ventures. Moreover, the strategic network thinking supposes that these needs should be comprehended and shared, not only by the entrepreneur but also by other actors in order to achieve efficiency and effectiveness of the network (Jarillo, 1988: 36; Hinterhuber and Hirsch, 1998: 192). Therefore, an entrepreneur who networks causally constantly has in mind the end goal and the desired model of the final network structure that fits this goal.

With this idea of fitting the network model to achieve their goals, entrepreneurs need to decide in which 'forest' to find the 'trees', or where and from what existing network structures (industries or markets) they want to select new contacts. Causal reasoning suggests that these network structures exist and that their boundaries and dependences should first be identified in order to penetrate them. Axelsson and Johanson (1992: 231) term this process orientating. They argue that 'in a network, actors have fairly clear views of their own relations with, and dependences on, other actors and of some relations of these actors to third actors', and through orientating a focal player develops an understanding of these relations and dependences. Defining the boundaries of where to look for new relations and how to access specific actors, entrepreneurs outline their network horizon (Anderson, Håkansson and Johanson, 1994), which is a subjective view of the spread of actors' networks.

After entrepreneurs have decided in which network arena to act, they need to choose the core partners with whom to deal. According to Hinterhuber and Hirsch (1998: 193-194), choosing the right partners starts with an in-depth search, through which a firm explores their real track record, resources, and skills, decides on their number and combination, and identifies the roles each of them should take. In this process, the predefined network goal guides the choice of selecting some but not others (Koon and Low, 1997). Similarly, Larson and Starr (1993) suggest that diverse potential connections are opportunistically evaluated and culled, and only essential ties are left to implement the established plan of the business concept. In addition, before an entrepreneur starts building a strategic network he or she needs to evaluate whether trust can be created among the actors, which requires an understanding of the partners' rationales and their organizational cultures (Koon and Low, 1997). Jarillo (1988: 37) expresses the similar idea that careful partner selection implies an awareness of their values in order to assess whether they match those of the entrepreneur.

When the core partners are selected, an entrepreneur continues with investing various resources into these relations (Johanson and Matsson, 1992). Axelsson and Johanson (1992: 233) term this process positioning, which relates to the development of the firm's identity with regard to the strength and content of relationships with other actors. Theoretically each firm occupies a position within a network; however, strategically significant positions are not

just given but require much time and resources (Seyed-Mohamed and Bolte, 1992). Network position can be acquired through strategic actions – alliances, buying another firm, entering or exiting established networks, and through changing or defending an existing position (Johanson and Matsson, 1992). Various exchange relations can be layered according to the operating functions; for example, finance; marketing; production (Larson and Starr, 1993). An advantageous strategic position enables a firm to gain access to valuable resources and to share possible risks (Jarillo, 1988; 1995; Gulati, Nohria and Zaheer, 2000).

1.3.2 Effectual networking

The effectuation literature uses the notion of effectual networks without their clear definition. In the present article, effectual networks are seen as systems of relations established through the effectual logic of reasoning, and the process of their formation can be termed effectual networking. In the effectuation research, the distinction of the steps in this process implicitly comes from the discussion regarding the emergence of new markets (Sarasvathy, 2008; Dew et al., 2011). Effectual entrepreneurs are explorers; instead of starting with a chosen recipe, they begin by exploring what ingredients and utensils already exist and what ‘dish’ can be made from them (Sarasvathy, 2008: 74). Effectual action starts with the evaluation of available means. The more ingredients and utensils they explore, the more options and greater scope for opportunities they create. In the set of effectual means, the ‘Who I am’ component relates to entrepreneurial identity, ‘What I know’ relates to knowledge, and ‘Who I know’ relates to networks (Sarasvathy, 2001: 253; Wiltbank et al., 2009; Read et al., 2009: 4). This article suggests that in the context of networking these means change. First, ‘Who I am’ would imply the network identity of entrepreneurs, which is defined as the perceived attractiveness of an actor in exchange relations depending on his or her connections with other actors (Anderson, Håkansson and Johanson, 1994: 4). Second, ‘What I know’ would refer to network competence, which is a person’s skill to create, maintain, and exploit existing relations (Ritter and Gemünden, 2003; 2004; Chiu, 2009). Third, ‘Who I know’ would relate to existing relations of entrepreneurs, which they can employ for further networking. Assuming that effectuation is a cognition theory (Fischer and Reuber, 2011), it is worth noting that entrepreneurs should perceive the means described above as effectual means that can create a variety of effects.

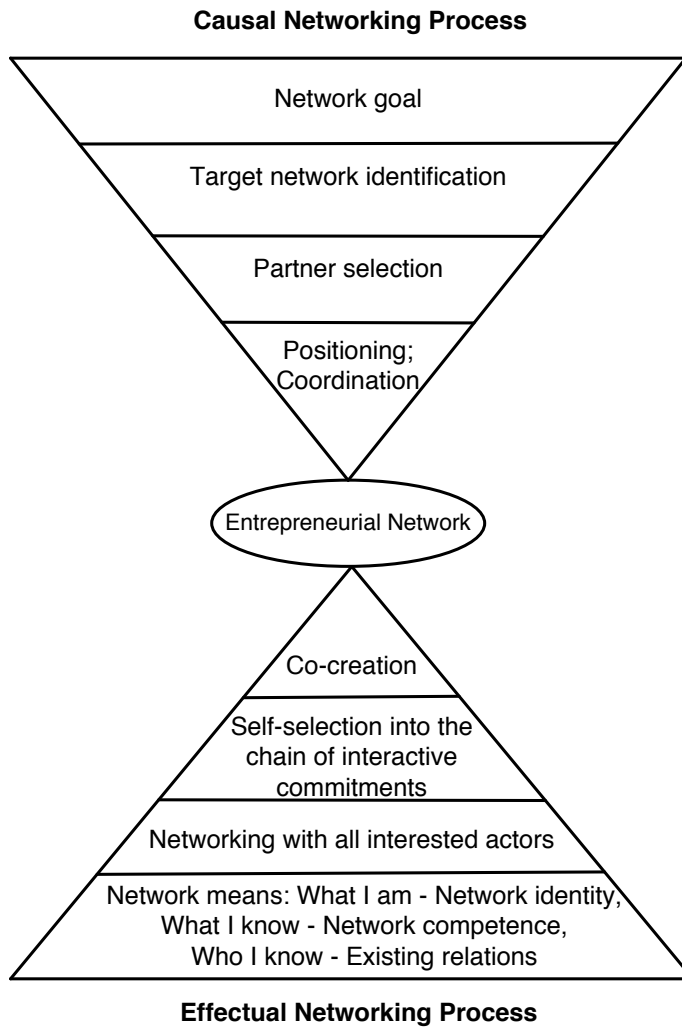
Further, instead of establishing relations with some but not with others, effectual entrepreneurs start interacting with any and all interested stakeholders (Sarasvathy and Dew, 2005; Sarasvathy, 2001, 2008; Read et al., 2009; Wiltbank et al., 2009: 117). Allowing everyone onboard, they increase the chance of developing some novel combinations (Dew et al., 2009; Read et al., 2009). In line with this, various studies demonstrate that network size and diversity of contacts positively correlates with new venture success and growth (e.g., Hansen 1995; Shane and Cable 2002; Greve and Salaff, 2003). Hence, networking with a specific goal in mind would imply having some preconceived structure of a future network, which, in turn, would restrict entrepreneurial flexibility and available alternatives (Dew et al., 2009; Read et al., 2009). If entrepreneurs do not currently know the purpose of establishing relations, these relations can be reserved in the set of means and activated when needed. Regardless of the way entrepreneurs get involved in an effectual network (e.g., random chance; path dependent; activation of existing relations) they can neither predict the other actors’ motives nor their own incentives (Sarasvathy and Dew, 2005). Therefore, the nature, the goals, and the product markets of a venture may change depending upon the stakeholders and network actors involved (Sarasvathy and Dew, 2008: 729; Read et al., 2009: 3, 14; Dew et al. 2009: 293).

Later, the numerous interactions between actors in the network form the chain of interactive effectual commitments (Sarasvathy, 2008: 105), which are the atomic elements of effectual networks. Actors participating in these commitments cannot be sure of their own potential role in the relationship and in the final outcome of this relation. Thus, they commit not to the

exact result but to the participation in the process of creating this result, even if it is something neither actor imagined at the moment of actual commitment (Sarasvathy, 2008: 104). Subsequently, these commitments are negotiated and renegotiated, with some being rejected (Wiltbank et al., 2009; Read et al. 2009: 14). This formulation and reformulation of commitments and choosing from alternatives forms the basis of the self-selection mechanism. It is different from the causal process of partner selection: 'in effectuation, clear goals do not drive the stakeholder selection process — i.e., the goals of the new venture or the predicted features of the opportunity do not drive who comes on board. Instead, who comes on board drives what the goals of the enterprise will be' (Sarasvathy and Dew, 2008: 729). Actors are self-selected into the chain of effectual commitments and entrepreneurial process by staking something they can afford to lose (Dew and Sarasvathy, 2007: 275). Since no one can predict the success of the venture and return on investment from relations, intelligent altruism becomes a rational criterion for this self-selection (Sarasvathy and Dew, 2005: 556; Wiltbank et al., 2009: 117, 120).

After accumulating some critical amount of effectual commitments, effectual networking as a process becomes inherent, not only in the active creation of contacts by entrepreneurs but also in the emerging network that, as such, starts co-creating itself. Instead of adapting to and fitting into the outer network environment, new relationship combinations of networks are co-created and designed together with other stakeholders (Read et al., 2009:14). Later, the resulting effectual network may become the 'Who I know' component of available means for the next cycle of the effectual process (Sarasvathy, 2001; 2008). It may also change to a less effectual and more goal oriented network (Sarasvathy and Dew, 2005: 548; Sarasvathy, 2008: 106), or it may also develop further into a new market (Sarasvathy, 2008; Dew et al., 2011). The two contrasting processes of causal and effectual networking are visually presented in Figure 1 below.

Figure 2. Contrasting causal and effectual networking processes (Inspired by Sarasvathy, 2008: 39)



2 METHODOLOGY

There are several reasons why qualitative methodology is appropriate to achieve the goals of the present study. First, the study is inductive and exploratory by nature because it elaborates the extant concept of effectual networks and develops the understanding of the unintended networking of entrepreneurs (Gumesson, 2000). Also, the questions of *how* entrepreneurial relations form effectually and *what* are the attributes of the effectual networking process can be better answered by applying qualitative methodology (Pratt, 2009; Denzin and Lincoln, 2000; Patton, 1990). In addition, the present research looks at entrepreneurial networking as a process; and qualitative methods are more appropriate for the study of dynamics and mechanisms of change in complex systems (Patton, 1990; Cassell and Symon, 1994; Stake, 1995: 37). Also, this choice is supported by the overall network perspective of this study, which implies that actors are not autonomous units but rather involved into composite interdependent relations (Halinen and Törnroos, 2005; Wasserman and Faust, 1994; Scott, 1991). A qualitative approach allows actors to be seen in the particular real-world context of venture creation, and gives a certain meaning and purpose to the object under study (Sayer, 1984: 117; Patton, 1990: 45; Stake, 1995: 16). Additionally, this article examines the understudied phenomenon of effectual networking, which has attracted little research attention, and qualitative methods are employed for explorative research that aims at deeper discovery of sparsely investigated issues (Marshall and Rossman, 1999: 57; Patton, 1990: 44).

The empirical part of the present research was carried out as a multiple-case study with an exploratory nature (Yin, 1994; 2004; Gumesson, 2000: 86). This strategy suits the inductive purpose of the study because it is a strong theory development method (Eisenhart, 1989; Marshall and Rossman, 1999; Jensen and Rodgers, 2001; Remenyi, Money and Price, 2002; Eisenhardt and Graebner, 2007). Additionally, this choice is adequate because no propositions or hypotheses are presented for their further confirmation or rejection. Also, information from several sources on the phenomenon of effectual networking provides more comprehensive and detailed understanding without chance associations (Yin, 1994; 2004; Stake, 1995: 4). According to Eisenhart (1989), the appropriate number of cases for a multiple-case approach varies from four to ten. This study focuses on the entrepreneurial networking of nine founders of six firms in Finland, which is satisfactory for analytical generalization and enables the volume of data to be handled with relative ease (Yin, 2004; Patton, 1990).

The case entrepreneurs for the present research were chosen following the replication logic of design, which means that they were selected because they possess certain characteristics, have a specific purpose, and have a special meaning in the research (Yin, 1994; Stake, 1995: 4). Patton (1990: 169) terms it purposeful sampling of information rich cases that play a central role in answering the research question. In order to have access to data and ensure the critical mix of sought processes (Marshall and Rossman, 1999), a realistic setting for the current research was attained by addressing the Aalto Entrepreneurship Society (www.aaltoes.com) and finding informants there. This society is an independent, privately funded student and post-graduate led community initiative that helps future entrepreneurs develop their business ideas and to start their own companies; it also provides incubation services for legally established new ventures during the period of their early commercialization.

At one public event held by the Aalto Entrepreneurship Society, the author of this paper met several entrepreneurs who could potentially participate in this research and asked them for an interview. The main criteria for the selection of case entrepreneurs were the early entrepreneurial stage of their ventures (the chosen firms were founded no more than three years previously), and willingness to participate in the present study. As a result, nine entrepreneurs from seven startups agreed to take part and a short description of the project

was then sent to them via e-mail; however, they did not receive the interview guide in advance. Their companies belong to different industries because the research did not aim to focus on any particular business sector but, rather, on relationship establishment (see Table 1 for the firms' profiles).

A semi-structured interview was chosen as the data collection method because it enabled the revelation of situational context and respondents' subjective opinions on the unexplored phenomenon of effectual networking (Marshall and Rossman, 1999: 108; King, 1994; Mann, 1985: 117; Gummesson, 2000: 127; Stake, 1995: 65; Yin, 2004). Also, this method enabled other related topics to emerge during the conversations (Patton, 1990: 284). In total, eight personal interviews were undertaken with the founders of six companies. Each interview was recorded and then transcribed into text. The informants were aware of the interviews being recorded.

Table 2. The data collection phase of the study

Firm and industry	Year of inception	Number of employees	Number of interviewed founders	Date and duration of interview
F1: Software solutions for storing memories and life stories	2007	-	2	16 th February 2010; 1 hour 15 minutes 16 th February 2010; 50 minutes
F2: Software solutions for organizing legal regulations	2008	1	1	16 th April 16 2010; 1 hour 30 minutes
F3: Facilitation and training	2007	6	1	17 th February 2010; 1 hour 45 minutes
F4: Design of accessories	2007	-	2	1 st March 2010; 1 hour 2 nd March 2010; 1 hour
F5: Optical signal processing and telecommunication	2007	2	1	11 th March 2010; 50 minutes
F6: Social media consulting	2008	5	1	16 th April 2010; 1 hour 20 minutes

Information acquired through open ended questions is more accurate and thorough than closed questions because it presents the phenomenon as perceived by the interviewee (Patton, 1990: 24, 295). For this reason, the interview guide used here comprised open ended questions because they permitted the informants to answer in their own terms. The dynamic side of effectual networking was captured by conducting an event based study and critical incident technique; this method connects the changes in network relations with specific events and thus allows for answers to what change has happened and also why it has happened (Halinen and Törnroos, 2005: 1291). The respondents were asked here about specific events in the development of their ventures (e.g., getting the first ideas of future business; pre-startup phase; inception; first internationalization) and how these events influenced their networking activities. During the interviews, some respondents wanted to draw diagrams to present their network relations visually and make the information more illustrative.

The reliability of the accounts acquired during the interviews was checked employing several techniques proposed by Huber and Power (1985). Besides the primary data sources, the study also incorporated information from websites and various press releases about the interviewees, the history of their companies, their core businesses and products, and their

main clients and suppliers. This information was employed in preparation for the interviews, to validate the information acquired both during the interviews and after them from the records (Cassel and Symon, 1994). Together with purposeful sampling, combining primary and secondary data served as the technique for data triangulation (Campbell, 2005). This enabled the production of detailed descriptions of the entrepreneurs' networks. To validate the accuracy of the information acquired, the transcripts from the interviews were sent to the respective interviewees for additional verification.

The initial data analysis began during the interviews because the interviewer, who is also the author of this article, needed to identify effectual and causal networking, and then to particularly focus further questions on each of them. The data analysis after the interviews applied the techniques suggested by Miles and Huberman (1994). For instance, within-case and cross-case displays in the form of field notes, matrixes, tables, and networks were employed to find patterns and themes within the data. During the data analysis, the accuracy of possible interpretations was checked by two independent scholars within the related field. Also, the preliminary interpretations of the findings were exposed to questioning at different research seminars and workshops.

3 RESULTS AND DISCUSSION

3.1. Distinguishing causal and effectual networking in the data

Following the statement by Sarasvathy (2001) that causal and effectual reasoning are constantly intertwined in human actions, the analysis of the data began during the interviews in order to distinguish causal and effectual networking, and explore the extent to which they are present in entrepreneurial networking. The respondents were asked whether all their networking activities were directed to a defined goal or if they could also recognize some partnering that did not have any entrepreneurial purpose.

All the interviewees admitted that not all of their networking activities had determined goals; some of them not having any business related intent. Thus, the establishment of relations driven by a specific venture goal was detected as causal networking, and partnering without an initial entrepreneurial goal was recognized as effectual networking. The data show that there was a constant interplay between causal and effectual networking. Some respondents described this balance in terms of 'vision' that set up the vector for their networking effort; however, the smaller steps involved in moving in this direction remained undefined.

F6: "I have an idea, the vision of my business in my head, and it guides, directs my networking... but there is always need for room for unplanned things to happen."

F3: "I am making some plans...arranging some meetings. But I also hope to make spontaneous contacts."

F1: "...from my networking, I can say that half is planned and half comes from somewhere else."

F2: "From the very first day, I had the system, the structure of my company in my head. And I wanted to build a balanced team with experts in different fields; and it was planned, the scheme was always there. But on the other hand, you need to have your eyes open and keep room for unplanned things to happen. You may meet people who you don't know and don't plan to meet but they may bring a lot to the team... vision is very clear... but the steps to go there are not so clear. Things change, you have to improvise a lot."

Additionally, the data show that effectual networking was different from the serendipitous accidental interactions with totally random people. The studied entrepreneurs displayed a certain attitude to being active and making an effort to contact new people without knowing if it would pay off. Hence, effectual networking did not simply happen by itself without any effort just because an entrepreneur was surrounded by people:

F4: "It is not random. It is a conscious choice of spending time on networking, and I've noticed it does pay off...I try to be active in networking. I have a personal rule of meeting at least three to five new people a week. They may not relate to my business anyhow, but they are new...it keeps me open-minded and fresh."

F2: "Usually, everyone in our team reports at our weekly meetings about how many new contacts he or she has made."

Further questions in the interviews were focused specifically on causal and effectual networking, and the data analysis reveals how these processes unfolded simultaneously within the studied firms.

Contrasting the two processes

3.2.1. Network goal vs. network means

The findings of the present study demonstrate that the entrepreneurs established relations according to a defined goal in cases when they could identify a specific need for their

ventures that directed their networking efforts. This need could be more easily defined at the later phases of the venture process when the level of uncertainty was lower, which is consistent with extant effectuation research (Sarasvathy and Dew, 2005: 548; Sarasvathy, 2008: 106; Wiltbank et al., 2009):

F2: “Later, when the company was already functioning, we had a certain need, ongoing need to have a finance manager. So I started to look for a person who'd be capable of taking care of the financial side...and then I found a person, he is in our team now. So, this was clear, we had a need.”

In the very early stages of venture formation, when the business idea was just taking shape, the networking activities were more effectual and driven by the available means for networking. In order not to confuse them with unfamiliar terms, the respondents were not directly asked about their network identity and competence. Instead, network identity (What I am) was identified from the discussion on their image as potential partners and the attractiveness of dealing with their firms. To create a more favourable image, they employed various reference recommendations from their existing connections:

F3: “No one knew us at that time...and the company barely existed, we had just started... so, to have some credible image as a potential partner, I used my professional network from my previous job. They knew me and could possibly recommend me to someone.”

Network competence (What I know) was mentioned in terms of abilities to actively interact with people and remain open to new relations:

F4: “I am very active in attending all kinds of events like conferences and training because it develops my communication skills, which I can use later. You need to be willing to talk to new people, know how to approach them, how to ask for business cards, and, very importantly, how to remember them afterwards and make them remember you.”

The ‘Who I know’ component of network means was quite clearly distinguished from the interviews; the respondents employed various relations from their existing connections, both from professional and personal circles, in order to expand their entrepreneurial networks further:

F2: “...how X found our company and how I found X was that I sent an e-mail, a kind of chain of e-mails to my friends and colleagues, informing them that I was looking for a capable person who would be interested in becoming a business partner, willing to take a risk, and who is professional in visual design. So it was like using the existing network for further networking.”

F6: “When I had the ideal of my company in mind and the business idea, I started to look for the people. I contacted those who I knew from before... for example, my university mates who were successful in their studies, and also colleagues.”

3.2.2. Target network identification vs. networking with all interested stakeholders

The data show that in some cases the interviewed business founders were rather focused on targeting the network structures in order to find the required connections. Often, this knowledge of where to network came from their previous knowledge and experience:

F6: “I knew this industry from before and I knew where to search for the necessary people... although the network in telecommunications is huge, I could see where and what strings I needed to pull.”

However, in some cases the interviewed entrepreneurs were not so focused and developed relations with everyone who expressed some interest in their firms. For instance, they both actively approached different individuals at various industry events, meetings, and exhibitions, and reactively responded to any kind of request from interested actors. By being

open to new unexpected relations, they utilized the effectuation principle of leveraging contingences in order to increase the scope for potential opportunities:

F2: “Usually people who make a startup... they are usually friends or have been working together... we did not have that; I think we had a really bold start... I met her [co-founder] at a seminar; we just happened to drink at the same table (laughs)! We just started talking at this meeting, then I called.”

F1: “Networking never stops. I meet new people every time, everywhere... I try to be active myself and be open if someone introduces me to somebody... and we may not even talk about business... even if I don’t have an immediate purpose of how this person can be useful for my business, I try to remember him. Relations are an asset... very valuable... but costs almost nothing... you just need to be willing to talk to people, be active and interested.”

3.2.3. Partner selection vs. self-selection into the chain of interactive commitments

After identifying the target network structures, causal entrepreneurs approached several actors within them and selected the most favourable ones. As in all the process of causal networking, this partner selection was driven by the predefined venture goal, which created the situation of reduced uncertainty:

F2: “When the needs became more defined... then I actually had a very systematic way of... browsing through people... I contacted people and interviewed probably tens of them... it was very careful selection.”

F4: “One of my dreams was to start my own business one day. Before I started my company, I had ten years to find good people... I tried to socialize in the right places and with the right people who could help me in the future, and that was a good plan. I met good consultants and future business partners... I identified the right people through various events and presentations. I wanted to have contact with these particular people, so I came to talk to them.”

The findings show that entrepreneurs did not always select their partners strategically and evaluate the potential benefits from a relationship. Sometimes they were committed to specific relations, not because of their known result but precisely because of the unknown future potential, non-redundancy, and opportunity they might bring. According to Sarasvathy (2001; 2008), these commitments form the basis of the self-selection mechanism of effectual network formation. In the acquired data, the self-selection mechanism and the effectuation principle of affordable loss unfolded through non-monetary ‘investments’ in the form of time spent with a person, emotional involvement into the relation, or information shared to build mutual interest. The only fact that the informants could foresee with some certainty was loss of time, a valuable asset, in cases where their networking efforts would not yield any positive result:

F2: “...you need to be committed to give something if you want to take something... if you don’t give anything you cannot take anything.”

F2: “...the only negative thing for me in networking is... just a complete waste of time; but very seldom is networking a complete waste of time, you always learn something.”

F1: “...you cannot lose anything but your time... but you’re not disappointed if you don’t find anything. That’s why I usually meet new people for lunch; if the meeting doesn’t result in anything, at least I had lunch and didn’t lose my time for nothing.”

Despite the high uncertainty, the respondents could not associate effectual networking with risk taking behaviour because it was impossible to estimate any kind of monetary loss. Instead, the entrepreneurial mindset of the interviewees allowed them to see more opportunities than risks in effectual networking, which is also related to the principle of leveraging possible contingencies (Sarasvathy, 2008):

F4: "I definitely see more opportunities than risks when I meet with new people."

F5: "When you meet different people and talk to them, it's fun!.. and you don't show all the cards immediately. That comes after, when it becomes clear what you will do together."

3.2.4. Positioning and coordination vs. co-creation

The findings show that the interviewed entrepreneurs made an effort to manage and coordinate their networking activities, and develop the most favourable network position for their companies. As has been found from the secondary data, namely from the internal materials of the studied companies, some of them developed a networking plan in the form of a written document specifying the target actors to contact (e.g., customers; suppliers; industry organizations) and the scheduled events at which they could be met (e.g., exhibitions; forums; meetings). In the case of firm F3, this plan was presented to the marketing department and officially approved by higher managers. In other cases, this plan was just an informal working document in the form of a contact list for those employees who needed it. In the case of firm F2, the interviewed founder had a picture of the company's networks on a white board in the office; it looked like a web of different relations drawn with different colours with numerous note pads attached to it. The respondents said that this picture helped them to see the position of their firm in relation to other actors, to systemise and classify different connections:

F2: "I try to manage my network somehow. I have the list of people and companies that I would like to work with. So, it is planned; I chose them because we had a need of this or that contact... and it is also good to have a certain name of a company as a reference on our web page."

The respondents also followed the principle of leveraging contingences, through which they reshaped, reformulated, and co-created their networks and network goals together with other actors. This co-creation was opposite to the coordination and control of relations according to some predefined goal. The respondents said that some relations could not be managed or directed because this purposeful coordination usually came out of some need of the firm. However, if the need was not specified, then the effect of partnership could not be defined either. Also, the interviewees often did not even know how some parts of their network looked. This uncertainty, however, was not seen as a disadvantage; rather, it was utilised as a resource, and unexpected situations were treated as providing scope for new opportunities and fresh ideas:

F4: "One of my partners just found me through our web page. At that time I didn't know anything about him; so it was like 'Well, let's meet and see what happens. It won't hurt just to meet him'... and now he is in our board. But, at that time I didn't see how he could fit into our company. We met, he told me what he could possibly do for our facilitation business; I listened and suggested he do it in a slightly different way. We arranged a demo and I saw him in action. Then we changed his programme a bit and did another demo... and so on... this was all unplanned... if there is potential, we start to hang around and see what happens... they change my ideas, I change theirs."

F5: "It goes in a really unpredictable way. I really don't know how it goes... it is complete chaos. Things roll like a snowball... but it's all right; we try to see opportunities in it."

F7: "...it is impossible to coordinate all the relations...sometimes we just go and see if something will happen."

F2: "...sometimes it happens so that you didn't even know what you were looking for and then you just realize that 'OK, there might be an opportunity!' You just don't know what the needs are at different times."

The data show interesting differences in the networking activities of the studied entrepreneurs. As has been reported earlier, they consciously tried to coordinate some of their relations; however, at the same time, some respondents stated that this coordination

was not preferable because relations often involved a personal component, which should not be manipulated. Some respondents also said that coordination might close the door on other opportunities:

F2: "...if you try to build a relation as an intention, it won't work because it is so goal oriented... it cannot be too systematic. You cannot fully manage your network."

F3: "...you never know when you go to some sort of meeting what would be important later on. And I wouldn't say that it is OK to plan and manipulate these things."

3.2.5. *Balancing the opposites*

The collected data show that the preference for either causal or effectual networking is influenced by several factors. The findings are consistent with the conclusions stating that effectual actions are more applicable in situations of high uncertainty (Wiltbank et al., 2009) and in the early stages of the entrepreneurial process (Sarasvathy and Dew, 2005: 548; Sarasvathy, 2008: 106). However, the interviews also point to other issues affecting the choice for either causal or effectual networking strategy.

The way the entrepreneurs networked, causally or effectually, depended upon the content of establishing a relation or the instrumental function of a connection. For example, in one case, interviewees reported that manufacturers of their product were carefully selected through references from other companies, while finding customers was less strategic. Another respondent agreed that building the team, finding board members, and hiring the first employees was very accurate and rational; the people were chosen with regard to their suitable fit into a predefined position. However, finding retailers and client companies was more effectual:

F5: "...we carefully selected our manufacturer and negotiated how everything would be done...but when we look for customers, we just try to attract whoever is interested."

F2: "Building our team was done over a very long period of exchanging ideas and talking, and probably a little bit of measuring each other... but finding potential client firms at fairs is different, we don't plan it."

The quotes above show that when it was more important to maximise the number of contacts (e.g., finding as many customers or financiers as possible), then entrepreneurs preferred to network effectually. On the other hand, when the quality of relations was more important (e.g., finding manufacturers or product designers), then entrepreneurs networked more causally. Thus, the choice of effectual networking depended on the value of either the quality or quantity of relations.

In addition, the interviews demonstrate that the preference for effectual networking is dependent upon the personality of the entrepreneur. Some entrepreneurs described themselves as very systematic, organized individuals who like to plan and need to see the clear goal of their ventures; others, instead, preferred to improvise and did not believe in planning:

F3: "I think it comes down more to the personality of an entrepreneur. I have to have some sort of plan... even though I don't think networking can be... so... managed."

F7: "...one of the company values is to be strategic, to plan, to be organized. So, everything I do... is about being organised and being strategic."

F6: "I try to intentionally avoid a systematic approach... I've never chosen any strategic issue."

However, the entrepreneurial personality is a complex construct and can include various components (e.g., gender; age; cultural background). This study does not reveal the exact personality trait that affects the choice of causal or effectual networking. However, it can be one of the directions for further studies on effectuation.

The present study also indicates that some findings contradict the effectuation research stating that expert entrepreneurs tend to follow effectual strategies and novice entrepreneurs pursue causal ones (Dew et al., 2009). For instance, all the studied business founders, except the founder of firm F5, were novice entrepreneurs; however, they demonstrated numerous examples of effectual strategies in their networking. Conversely, the founder of firm F5 was an experienced serial entrepreneur with numerous connections in different industries, which he was constantly employing for his entrepreneurial purposes. In effectuation terms, his strategy was means driven because it started from an extensive set of means in the form of extensive network competence and numerous existing contacts. However, he said that he avoided networking with all possible interested actors because it was very time consuming.

F5: “When I just started as an entrepreneur, I was active in networking and tried to talk to as many people as possible. Now, I try to avoid these contacts because they distract me... they take too much time. And I have very little time. So I would like to have fewer contacts in my life.”

The case of the founder of the firm F5 shows that although entrepreneurs start acting effectually and employing the available means, they may not necessarily continue with the effectual principle of interacting with any and all interested stakeholders. In line with the definition of effectuation (Sarasvathy, 2001: 245), the action of the entrepreneurs from firm F5 would still be regarded as effectual because it starts with means; however, it contradicts the process model of effectuation (Sarasvathy and Dew, 2005) because it does not lead to allowing new members onboard, and co-creating new combinations and opportunities with them. Therefore, having an extensive network of existing contacts in the ‘Who I know’ component of effectual means may actually inhibit further effectual action.

CONCLUSIONS

The present article explores how causation and effectuation are balanced in the process of entrepreneurial networking. The study reveals that causal networking strategy starts with a network goal that is defined by the resource requirements of a venture. Entrepreneurs identify the target network structures where they then select core partners; later, in order to acquire the most favourable network position, they start coordinating the established relations. Effectual networking stems from the network means – network identity, network competence, and existing contacts. Entrepreneurs then start networking with any and all interested actors who are further self-selected into the chain of interactive commitments; rather than managing the established relations, they co-create the structure of their entrepreneurial networks with all stakeholders who come onboard. In addition, it is found that besides the conditions of uncertainty and the phase of new venture development, relationship content and an entrepreneur’s personality influence the preference for either causal or effectual networking.

The results from the present study may provide a basis for further research. For instance, the findings from this study show that the balance between entrepreneurs’ effectual and causal networking depends upon factors that are internal to their businesses. However, more research is needed to reveal under what external environmental conditions (e.g., emergent or rapidly changing industry; turbulent market; institutional changes) entrepreneurs are likely to network effectually or causally.

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Appendix 8 **ESSAY 5**

Galkina, T. and Chetty, S. (2012) Effectuation and the revisited Uppsala model: Networking of internationalizing SMEs. Paper presented on the 15th McGill International Entrepreneurship Conference in Pavia, Italy.

EFFECTUATION AND THE REVISITED UPPSALA MODEL: NETWORKING OF INTERNATIONALIZING SMEs

Abstract

The authors explore previously discarded phenomena in the internationalization process literature, namely the non-predictive logic of foreign market entry, employing effectuation theory as a new lens to examine how small and medium-sized enterprises (SMEs) network during their international expansion. While the Uppsala model explains the internationalization process of all types of firm at the firm level, effectuation focuses on young entrepreneurial firms at the individual entrepreneur level. Consequently, effectuation theory is integrated with the Uppsala model to understand better the international expansion of SMEs. We identify how effectuation theory can capture the unintentional aspect of networking by internationalizing SMEs. The research design is a multiple-case study approach. The findings show how entrepreneurs network with all interested partners, instead of carefully selecting international partners according to predefined network goals. Entrepreneurs who network effectually enter markets wherever an opportunity emerges and commit to network relations that will increase their means. Hence, network relations determine which foreign markets the firm enters rather than vice versa. An implication for entrepreneurs in internationalizing firms is that their networks need not necessarily be planned, structured, or coordinated.

Keywords: international SMEs; internationalization; effectuation; networks; international entrepreneurship.

INDRODUCTION

A large stream of research in International Entrepreneurship (IE) focuses on the importance of network relations for the successful foreign expansion of small and medium enterprises, or SMEs, (e.g., Chetty & Holm, 2000; McDougall & Oviatt, 2000; Young, Dimitratos & Dana, 2003; Jones, Coviello & Tang, 2011). Numerous scholars suggest that networks provide internationalizing firms with various tangible and intangible resources (e.g., Coviello & Munro, 1995; Oviatt & McDougall, 1994; Coviello & Cox, 2006; Manolova, Manev & Gyoshev, 2010). The strategic thinking behind this resource-based view of networks implies that partner selection follows the country choice and is made as a purposeful response to the objective information gathered with regard to foreign network structures. The stream of literature on international partner selection also shows that internationalizing new ventures strategically choose foreign partners according to their portfolios, fit to the company (Varis, Kuivalainen & Saarenketo, 2005), and knowledge about local consumers, competitors, and networks (Lu & Beamish, 2001).

In contrast, another stream of research provides evidence that the internationalization process often lacks strategic reasoning, mainly because the relationship component makes this process non-rational (e.g., Lee & Brasch, 1978; Brown & Cook, 1990; McDougal, 1991; Welch & Welch, 1996; Ellis, 2000; Ellis & Pecotich, 2001). In employing predictive rationality concepts, these studies do not go beyond simply admitting the existence of this phenomenon and describing it in terms of 'boldness in decision making' (Moen & Servais, 2002: 59), 'chance', 'serendipity', 'coincidence' (Meyer & Skak, 2002), 'random', 'opportunistic', 'non-systematic', or 'ad-hoc' internationalization that is treated as 'deviant case' and 'anomaly' (Ellis, 2000). Since the evidence of such non-rational internationalization is increasing it cannot be dismissed as abnormal but needs different theories to explain the phenomenon.

One approach that can be employed is the effectuation theory introduced by Sarasvathy (2001; 2008). It provides an alternative logic of reasoning that differs from predictive

rationality. Instead of the goal oriented reasoning of causal rationality, effectuation suggests a means driven logic that goes beyond predicting an uncertain future (Sarasvathy, 2001). The effectuation approach has been developing steadily within entrepreneurship theory during the past decade. It is still developing as a theory and has great potential to explain the internationalization of SMEs (Bhowmick, 2008; Mainela & Puhakka, 2009; Kalinic, Sarasvathy & Forza, 2011). Thus, this study aims to employ effectuation logic as a new lens to examine how SMEs employ networks during their internationalization to explore the abovementioned ‘anomalies’. In this paper the revised Uppsala model (Johanson & Vahlne, 2009) is integrated with effectuation (Sarasvathy, 2001; 2008) because both are rooted in behavioural theory (March, 1991; March & Simon 1958; Simon, 1959) and combine opportunities and networks as their central concepts. Since effectuation is more focused on entrepreneurial decision making under uncertainty (Sarasvathy, 2001: 249; Wiltbank, Read, Dew & Sarasvathy, 2009), the aim is to address this gap in the Uppsala Model, which does not focus on the internationalization of specific firms. While the Uppsala model explains the internationalization process of all types of firm at the firm level, effectuation focuses on young entrepreneurial firms at the individual entrepreneur level and on decision making under uncertainty. Consequently, effectuation and causation concepts are integrated with the Uppsala model to better understand networks in internationalizing entrepreneurial firms. This paper, however, focuses on forming networks under uncertainty and at the entrepreneur level. The intention is to contribute to a very embryonic stream in effectuation research that explores effectuation principles in an internationalization context (Bhowmick, 2008; Mainela & Puhakka, 2009; Laaksonen, Ainamo & Karjalainen, 2010; Kalinic, Sarasvathy & Forza, 2011; Harms & Schiele, 2012). This study also intends to develop the IE area by integrating the effectuation approach from entrepreneurship research with the revisited Uppsala model from International Business studies. Therefore, this article responds to a call for ‘fresh ideas and questions that might extend the understanding of IE as a phenomenon, and incorporate perspectives from other disciplines’ (Jones & Nummela, 2008: 350).

The paper is structured as follows. The next section outlines the theoretical framework for this research. Later, the methodological section provides details on the multiple-case study approach that was employed in this study. This is followed by a discussion on the findings from the cases. Finally, the article ends with conclusions and implications, and provides directions for future research.

1 THEORETICAL BACKGROUND

1.1. Network approach in International Entrepreneurship

The network approach to the internationalization of SMEs is recognized as one of the most established theoretical foundations of the IE field (Young et al., 2003; Mtigwe, 2006; Keupp & Gassman, 2009; Jones, Coviello & Tang, 2011). In this paper, IE is defined as 'a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations' (McDougall & Oviatt, 2000: 903). This definition is employed because firm size and age are not decisive in the case of IE, unlike the definition of International New Ventures (Oviatt & McDougall, 1994: 49). It is this integrative perspective of IE that has created the foundation for the field (Dimitratos & Jones, 2005: 121).

From the perspective of the resource-based view, different types of relation are essential for the foreign expansion of small firms that often lack, and often do not own, their foreign assets (Oviatt & McDougall, 1994; Dimitratos & Plakoyiannaki, 2003; Madsen & Servais, 2007; Agndal & Chetty, 2007). Thus, networks help to obtain financial resources, new capabilities, and knowledge about foreign market and institutional structures (Yeung, 2002; Wright & Dana, 2003: 142; Coviello & Cox, 2006; Keupp & Gassman, 2009: 616). In addition, network relations serve as a governance mechanism that secures international transactions through the mechanisms of trust and moral obligations (Oviatt & McDougall, 1994; Etemad, 2004). However, network relations (both foreign and domestic) may also inhibit internationalization efforts and result in high risks, network rigidity, liabilities, and negative effects on a firm's development (Welch & Welch, 1996; Coviello & Munro, 1997; Mort & Weerawardena, 2006: 567; Seppo, 2007; Sasi & Arenius, 2008).

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

1.2. Network concept in the revisited Uppsala model

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

In their later work, Johanson and Vahlne (2003: 93) acknowledge the increasing role of network relations in the internationalization process; they maintain that a network perspective on internationalization deals only with the managerial problems of building and developing relations with network actors; therefore, it is nothing but 'a general expansion of a business firm'. Entry barriers are not associated with country specific borders but are related to the establishment of new contacts and their exploitation (Wright & Dana, 2003). Furthermore, in the revisited Uppsala model, Johanson and Vahlne (2009) show that barriers to internationalization no longer deal with the psychic distance and liability of

foreignness but are associated with the network position in a foreign market and the liability of outsidership. Internationalization is the process of embedding into a corresponding network structure of a foreign market and acquiring an insider position in it. As Johanson and Vahlne (2009: 1411) state, ‘Insidership in relevant network(s) is necessary for successful internationalization, and so by the same token there is *liability of outsidership*’. They propose that the greater the psychic distance of a new market, the more difficult it is to create new relationships that occur because of the liability of outsidership. Hence, partners inside the new market will provide firms with the opportunity to become insiders.

The underlying logic of the revisited Uppsala model is **bounded rationality** (Johanson & Vahlne, 2009: 1412), which is opposite to mathematical rationality as optimization. It implies that an individual’s abilities to make optimal or, at least, satisfactory decisions is limited by the cognitive limitations of their minds, environmental conditions of information isotropy, and lack of resources (Simon, 1957; 1991). According to Gigerenzer and Selten (2001), bounded rationality builds on satisficing, or the process of searching for satisfactory alternatives through non-optimizing procedures, and aspiration adaptation based on the goal vector and qualitative expectations regarding the direction of change. In the decision-making process, bounded-rational agents tend to employ solutions that were successful in the past and avoid solutions that failed (March, 1981).

Building on this logic, the following features of network relations in the revisited Uppsala model are highlighted. This helps to recognize how effectuation and the revisited Uppsala model can complement each other in understanding the internationalization of SMEs. First, according to Johanson and Vahlne (2009: 1425), **trust** in network relations is important for the internationalization process because it helps in acquiring an insider position within a foreign network. They indicate that ‘a sense of trust implies an ability to predict another’s behavior’ and supposes positive intentions (p. 1417). However, building trust is not perceived as a goal in international business networks; it is rather a lubricant for other activities inside these networks. Second, the authors state that one purpose of establishing network relations during internationalization is **risk** management; although risks cannot be avoided, they can be reduced by increasing commitments (p. 1418). Third, while network outsidership is the root of **uncertainty**, the authors state that their new model is not supposed to be treated as one of uncertainty avoidance (p. 1418); rather, they suggest that uncertainty should be overcome by creating new relations, strengthening existing ones, building trust in them, and learning about partners (p. 1411, p. 1423). Fourth, although bounded rationality accepts unintended strategies, the revisited Uppsala model mentions network coordination. As stated by Johanson and Vahlne (2009: 1416, 1426): ‘international business network **coordination** will become an increasingly important phenomenon with strong implications for firm-specific advantage as well as for internationalization’. This coordination is achieved by beneficial **network position**, which becomes the key aspect of the revisited Uppsala model. However, this differs from the concept of network position from a strategic network view; instead of linking network position with purposefully arranged structures of relations according to desired resource flows (Jarillo, 1988; 1995), it relates just to the results of previous business activities and commitments of the firm, or its management. Hence, network position is viewed as an outcome of a firm’s activities and not as a goal.

1.3. Effectuation approach and networks

The rational and predictive logic of reasoning is termed causation by Sarasvathy (2001) and is opposed to non-predictive logic termed effectuation. Causation and effectuation are the constitutive parts of entrepreneurial reasoning, and they are constantly present in all entrepreneurial activities (Sarasvathy, 2001; 2008). In this dichotomy, ‘causation processes take a particular effect as given and focus on selecting between means to create that effect.

Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means' (Sarasvathy, 2001: 245).

Effectual action follows several principles. First, it implies *means driven as opposed to goal driven action*. It starts with addressing the means components that constitute: 'Who I am' (Identity), 'What I know' (Knowledge), and 'Who I know' (Networks) (Sarasvathy, 2001: 253; Wiltbank, Dew, Read & Sarasvathy, 2006: 991; Read, Dew, Sarasvathy, Song & Wiltbank, 2009: 4). With a set of means, an entrepreneur focuses on generating new ends, which contrasts with causal logic that starts by defining the end goal and then searches for the means to achieve this goal. Second, effectuation is driven by *leveraging contingencies as opposed to exploiting pre-existing knowledge*. Instead of avoiding uncertainties, either positive or negative, effectual entrepreneurs follow the principle of leveraging by being open to unexpected outcomes that can be transformed into new opportunities (Sarasvathy, 2001: 252). By turning unexpected events into opportunities, entrepreneurs control an emerging situation, in which uncertainty is perceived as a resource rather than a disadvantage (Sarasvathy, 2008: 89-90). Third, effectuation proposes *affordable loss as opposed to expected returns*. Instead of calculating the predicted return from an investment, which implies knowing the amount of future sales and possible risks, effectual entrepreneurs only assess how much they can afford to lose in the worst-case scenario (Sarasvathy, 2008: 81). Therefore, they do not need to predict the future beyond the extent that they can control it (Sarasvathy, 2001: 252; Dew, Read, Sarasvathy & Wiltbank, 2009: 293; Read Dew, Sarasvathy, Song & Wiltbank, 2009: 3). Finally, effectual action favours *partnership as opposed to competitive analysis*. Instead of conducting extensive and expensive research of preselected markets, effectual entrepreneurs work jointly with all interested stakeholders; 'be they early partners, customers, suppliers, professional advisors, employees, or local communities' (Sarasvathy & Venkataraman, 2011: 126). Through these interactions, they co-create the structure of a new venture and define what markets to enter or what new market to create (Sarasvathy, 2001: 252; Read & Sarasvathy, 2005; Dew, Read, Sarasvathy & Wiltbank, 2011). Overall, effectuation is not positioned as a 'better' logic of reasoning but as being more applicable in situations of uncertainty and when dealing with spheres of human action (Sarasvathy, 2001: 249; Wiltbank, Read, Dew & Sarasvathy, 2009), such as networks.

As shown above, the network relations of entrepreneurs represent one of the central aspects of the effectual process. Effectuation scholars introduce the notion of *effectual networks* that are composed of various stakeholders who are committed to the new venture creation and sharing possible risks (Sarasvathy & Dew, 2005: 542; Read, Song & Smith, 2009: 574). Instead of having a specific goal to drive their partner selection, entrepreneurs network with all interested actors in order to have more means for opportunity discovery (Wiltbank et al., 2006: 992; Wiltbank, Read, Dew & Sarasvathy, 2009: 117). Sarasvathy and Dew (2005: 548) indicate that effectuation as a characteristic of entrepreneurial relations prevails during the early stages of venture development and later on, as an effectual network grows and includes more partners and available resources, it becomes more goal oriented.

The **means driven logic** underlying effectual networks resembles bounded rationality, as Sarasvathy (2001; 2008) builds on the work of Simon (1957; 1991), one of the main theorists of bounded rationality. However, some differences in these two logics are discernible. First, both bounded rationality and effectuation accept that alternatives in the decision-making process are not given; however, in the former they are found and selected, and in the latter they are co-created together with other stakeholders. Second, the means driven logic of effectuation assumes that it is of a non-predictive ('not taking the event space for probabilities as given and immutable') and non-teleological nature ('not taking preferences and goals as pre-existent and unchangeable') (Sarasvathy, 2008: 73). Although bounded rationality includes non-given alternatives, it includes terms such as 'goal vector' and 'aspiration level', which is one of the goal variables (Gigerenzer & Selten, 2001). Although bounded rationality does not follow rational choice reasoning in finding an optimal solution,

it still implies some goal direction. Third, bounded rationality extensively discusses aspiration adaptation based on qualitative expectations towards the future. This is contrary to effectuation, which is non-adaptive logic ('not taking the environment as exogenous or as something to respond to and 'fit' with') (Sarasvathy, 2008: 73). Fourth, bounded rationality accepts decisions based on past knowledge and experience (March, 1981), while effectuation goes beyond exploiting pre-existing knowledge (Sarasvathy, 2001: 252).

The non-predictive nature of effectual relations provides an opportunity to present several implications with regard to their characteristics. First, **trust** as a mechanism of avoiding opportunism in relations is a conceptually inapplicable feature of effectual networks (Sarasvathy & Dew, 2003) because it assumes risk taking and certain expectations about the behavior of counterparts (Mayer, Davis & Schoorman, 1995: 712), which in turn presumes causal predictive reasoning. For effectuation, the future is never defined and activities do not have a given purpose. Although it can be found empirically in effectual networks, '[t]heoretically speaking, effectual logic does not require any particular assumption about trust *ex ante*' (Sarasvathy & Dew, 2008: 734).

Second, effectual networks are not associated with **risk**, which relates to a known fact associated with a negative result and a quantifiable numerical probability of loss (Knight, 1964; Perminova, Gustafsson & Wikström, 2008). In effectual relations, the future is unpredictable and returns cannot be estimated. Instead of estimating network risks, effectuation follows the logic of affordable loss, which implies that entrepreneurs can only assess how much they can afford to lose in the worst-case scenario (Sarasvathy, 2008: 81).

Third, while the effectuation approach acknowledges the high level of **uncertainty** in effectual networks, due to their unstructured nature and undefined goals (Sarasvathy, 2001; Sarasvathy & Dew, 2005), this uncertainty is perceived as a positive factor that may bring opportunities. Hence, following the principle of leveraging contingencies, entrepreneurs do not attempt to reduce relationship uncertainty but rely on it producing unexpected benefits (Sarasvathy, 2001; 2008).

Fourth, through the chain of effectual commitments, stakeholders form an effectual network that is flexible to change (Sarasvathy & Dew, 2005: 542; Wiltbank, Read, Dew & Sarasvathy, 2009: 120; Read et al., 2009: 583; Chandler, DeTienne, McKelvie & Mumford, 2011) but cannot be coordinated because entrepreneurs cannot know the motives of other actors (Sarasvathy & Dew, 2005: 557). For effectuation, **coordination** of networks is not possible; instead, they are constantly co-created (Sarasvathy & Dew, 2005: 557; Wiltbank, Read, Dew & Sarasvathy, 2009) through self-selection and intelligent altruism, which are the organic mechanisms of effectual network formation (Dew & Sarasvathy, 2007: 275; Sarasvathy & Dew, 2008: 729).

1.4. The revisited Uppsala internationalization process model and effectuation approach.

In order to reach a theoretical rigour when combining different theories, it is essential to establish complementarity and examine the 'interactive effects' of these theories (Bello & Kostova, 2012: 541). Therefore, this section focuses on outlining commonalities in the assumptions of the revisited Uppsala model and effectuation. Johanson and Vahlne (2009) indicate that the revisited Uppsala model is consistent with the entrepreneurial theory of effectuation. They argue that 'the effectuation process has much in common with our internationalization process model including similar environmental characteristics, a limited number of available options, incremental development, and an emphasis on cooperative strategies' (Johanson & Vahlne, 2009: 1423). Furthermore, both the revisited Uppsala model and effectuation theory build on the process based view. For the former, it is a non-deterministic process of foreign expansion (Johanson & Vahlne, 2009: 1412); for the latter, it is the entrepreneurial process of creating a new venture (Read et al., 2009: 4).

This paper identifies several commonalities of the two theories. First, internationalization resembles the entrepreneurial process and is related to risk taking, opportunity creation, and exploitation (Schweizer, Vahlne & Johanson, 2011). Similarly, Jones and Coviello (2005: 284) state that internationalization is an entrepreneurial process, making causation and effectuation relevant to analyzing firms' internationalization processes (Harms & Schiele, 2012). Internationalization and effectuation share a common problem space because they both include Knightian uncertainty ('it is impossible to calculate probabilities for future consequences'), goal ambiguity ('preferences are neither given nor well ordered'), and environmental isotropy ('it is not clear what elements of the environment to pay attention to and what to ignore') (Sarasvathy, 2008: 70).

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

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

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

There has also been a discussion regarding the conceptualization of risk in both the initial and revisited Uppsala models being consistent with the principle of affordable loss in effectuation theory (Figueira-de-Lemos, Johanson & Vahlne, 2011: 144). However, at the same time the authors state that the risk in both Uppsala models 'denotes...resistance to

environmental and other changes within the firm', which is inconsistent with the effectual principle of leveraging contingences. In addition, the statement claiming that 'entrepreneurs, or at least successful ones, supposedly calculate risk carefully and try to avoid unnecessary risks' (Johanson & Vahlne, 2009: 1422) implies prediction and calculation of possible negative events in the future, which also contradicts the effectuation logic of non-predictive control.

As our comparison shows, there are similarities and differences in understanding network relations in the revisited Uppsala model and the effectuation approach (see Table 1). While, the similarities demonstrate the compatibility of the two theoretical approaches, the differences indicate the points where effectuation can complement the revisited Uppsala model. Thus, integration of the two models captures both networking and opportunity development during the early phases of internationalization by SMEs.

Table 1. Networks in the revisited Uppsala internationalization process model and effectuation approach.

	Networks in the revisited Uppsala model (Johanson & Vahlne, 2009)	Networks in effectuation approach (Sarasvathy, 2001; 2008)
Similarities	Common problem space: Knightian uncertainty, goal ambiguity, and environmental isotropy; Both models are based on process; Knowledge and a firm's relations are similar to 'What I know' and 'Who I know' in effectuation; 'Who I know' includes network position concept among other concepts; Commitments are important in the network building process; Opportunities are created (co-created, in effectuation).	
Differences	Logic	Bounded rationality
	Trust	Means driven reasoning, non-predictive, non-teleological, non-adaptive;
	Risk	Trust is conceptually inapplicable but can be found empirically;
	Uncertainty	Affordable loss instead of calculating network risk;
	Coordination	Leveraging network contingencies instead of uncertainty reduction;
		Network co-creation and self-selection; networks are unmanageable.
		Network relations can be coordinated.

It may be that imposing effectuation logic on partnering during the internationalization process would result in what Forsgren and Hagström (2007) term 'ignorant internationalization'. This phenomenon relates to the firm's fast and 'impatient' foreign expansion, when not investing abroad is more risky and intolerable than doing so and it cannot afford to wait. Following the sheer ignorance perspective (Ciabuschi, Forsgren & Martin Martin, 2011a, b), companies internationalize despite their lack of knowledge concerning foreign markets rather than because they possess this knowledge. Effectuation differs from the ignorance perspective on internationalization because the latter implies the ability to estimate the risks of not investing abroad. For effectuation, however, risk is an irrelevant concept because it goes beyond predicting the future and follows the principle of affordable loss.

It may also be argued that effectual networking during internationalization has already been studied in the guise of serendipitous internationalization by Meyer & Skak (2002). This article, however, proposes the opposite. Serendipity relates to 'fortunate and unexpected discoveries made by chance' (Meyer & Skak, 2002: 179). While effectuation may also relate to fortunate discoveries, it differs from simply 'betting on hunches' (Sarasvathy & Dew, 2008: 730). It represents a more complex logic of reasoning where an effectuator co-creates possible effects with other stakeholders and then selects the one that is most suitable (Sarasvathy, 2001: 253).

2 METHODOLOGY

Qualitative methodology is coherent with the inductive and exploratory course of this study, which uses the theory of effectuation as a foundation to address a research gap in internationalization theory (Gumesson, 2000; Denzin & Lincoln, 2000; Pratt, 2009). Since it addresses the 'how?', 'why?', and 'what?' of effectuation logic within the internationalization process, qualitative methodology is appropriate for this research.

An exploratory multiple-case study approach has been employed, which is a relevant choice for several reasons. Case study strategy gives a certain meaning to the phenomenon because it introduces local context and situational constraints (Yin, 2004; Stake, 1995). Attention to detail, nuance, and interdependency provides a holistic perspective on the phenomenon being studied and reveals a comprehensive picture of its nature in totality (Yin, 1981; 2004; Verschuren, 2003). In addition, it is a strong methodological strategy for the research of sparsely investigated issues and theory development (Eisenhardt, 1989; Marshall & Rossman, 1999; Jensen & Rodgers, 2001; Remenyi, Money, Price & Bannister, 2002; Eisenhardt & Graebner, 2007). The nature of this research is inductive as it does not intend to test any new propositions or hypotheses but aims to extend the extant theory of effectuation.

Since information from several sources provides a more comprehensive and detailed understanding without chance associations (Yin, 1994: 45; Stake, 1995: 4), this study is based on six cases of SMEs from Finland that have established international operations. This falls within Eisenhardt's (1989) suggestion for the appropriate number of cases, which is between four and ten, because it is enough for analytical generalization and copes relatively easily with a large volume of data (Yin, 1994; Patton, 1990).

Replication logic and purposeful sampling was employed to select the case studies, which means that the cases were selected for a specific reason and have a special significance in the study (Yin, 1994; Stake, 1995: 4). The criteria for selecting the case firms were SMEs with less than 250 employees, which is a definition in the European Union (European Commission, 2003: 5), international operations, and willingness to participate in the research. After examining internet profiles of several companies, ten firms were invited to participate that were considered to be suitable for this study, with eight of them agreeing. In order to avoid the bias of only observing effectual logic in networking during internationalization of the selected firms, general questions were asked first regarding relationship establishment in the internationalization process, with effectual networking being focused upon later in the interviews. Eighteen semi-structured interviews were conducted with the founders and/or managers responsible for internationalization from these eight firms. During data analysis, which began during the interview process, all eight firms provided evidence of employing effectual logic of networking during internationalization to some extent (see Table 2).

This multiple-case study involved semi-structured interviews with an interview protocol that was employed for guidance. The topics covered in the interviews related to networking activities and their impact on the internationalization process. Each interview lasted between 60 and 90 minutes, was recorded, and later transcribed. Informants were aware of being recorded. Those who wanted to know the questions before the interview were sent them via e-mail, together with a general description of the project. During the interviews, some respondents wanted to draw diagrams of their network relations in order to provide more illustrative information. These drawings were later used to organize and analyze the data.

Table 2. A profile of the firms in this study

Firm's industry	Year of firm's inception	Year of initial internationalization	Number of employees	Number of foreign markets
F1. Software for optical reader	2006	2007	130	21
F2. Turnkey luxury interiors built for land and sea	1987	2008	90	1
F3. Facilitation and corporate training	2003	2007	7	5
F4. Fashion garments and accessories	2005	2010	5	1
F5. Supplier of equipment and coating technology	2005	2007	60	15
F6. Business consulting	1993	2007	24	1
F7. Cosmetics and skincare	1984	1998	72	4
F8. Supplier of equipment and coating technology	2005	2007	50	32

To ensure the reliability of responses during interviews, some techniques proposed by Huber and Power (1985) were employed. In addition to primary sources of information, secondary sources in the data collection process were also included. These contained general information about the individuals to be interviewed, the history of their companies, core businesses and products, and their main clients and suppliers, which were found from the companies' websites, industry associated websites, and other available press releases. Company brochures were received from some informants before the interviews. This information was employed to both prepare for the interviews and to validate the information obtained during the interviews (Cassel & Symon, 1994). Data triangulation was achieved by comparing information obtained during the interviews with information from the secondary sources. The interview transcripts, and drawings that respondents produced during the interviews, were combined with the secondary evidence to produce a detailed description of the entrepreneurs' networks. The interview transcripts were sent back to the respondents for additional verification to confirm the accuracy of the information. Furthermore, some of the relevant findings from this study were exposed to questioning when presented at different industry seminars.

During data analysis, the accuracy of interpretations was checked by other independent scholars within the related field through presentation and discussion of the preliminary findings at research seminars. The data analysis included within-case and cross-case displays, field notes, matrixes, tables, and networks in order to find patterns and themes in the data (Miles & Huberman, 1994). The results of this analysis are presented in the next section.

3 ANALYSIS OF THE CASE STUDIES AND DISCUSSION

3.1. Recognizing effectual action in the data

The chosen firms did not adhere to a purely effectual logic of networking. In line with findings from Sarasvathy's studies (2001; 2008), effectual partnering was balanced with more goal driven relationship establishment, and was employed more often in situations of high uncertainty. When the situation allowed for some degree of prediction, the entrepreneurs applied more causal logic to networking and strategically planned relationship establishment. For instance, the founder of firm F7 describes the internationalization to one of the countries as follows:

F7: "It wasn't an easy decision... we did a huge market research for one year... and then we had a couple of our board meetings... then we started to make a list of people with who we wanted to network. First my staff did the list, then I did, then we combined them. Then, we sent invitations... I think there was a balance from both... when we have the aim of meeting partners we try to investigate as much as we can, but it's not easy to know whether it is going to be a good partner. So, we're both strategic and spontaneous...you have to be flexible... sometimes you have to come up with plan B."

The interviewee from firm F8 presented a plan of network actions for foreign expansion that was coordinated with other strategies and confirmed by the board. The network plan specified schedules and deadlines, a list of potential target contacts, and a list of known customers. This networking was very goal oriented and strategic, and was recognized as causal action in this study. However, at the same time he reported as follows:

F8: "Yes, we plan to have the vision. But we're flexible and don't necessarily stick rigidly to the plan. We're open to surprises... you never know from where a useful connection will come and what opportunities it will bring."

The evidence from firm F3 also shows that effectual and causal logics of partnering are not present in their pure types empirically but are constantly intertwined and balanced:

F3: "We have been doing both more planned and unplanned networking... you do not always know where a situation will take you, but you realize it is important to be there in order to let things develop when possibilities for networking and business might be created."

3.2. Means driven reasoning

Because the focus of this study has been on effectual networking strategies, further data analysis concentrated on non-goal oriented relationship establishment. The data demonstrate that firms' networking activities during internationalization were not only strategically driven by some predefined goal or written in some plan, but were also more effectual and means driven. Some respondents described it as a non-focused, natural and intuitive process:

F5: "We are not really active in expanding our network anyhow in a conscious way. The network expands because we just do things. We do not say 'OK, now we're directing to London or somewhere'."

F1: "The main thing is that the relations have never been established by focusing on how to sell our product. Never! It has always been some other issue. So, there are the two things – intuition and don't-sell approach."

F3: "This was not strategic planning... to choose the country and then network there... we have a very spontaneous type of network... we're a very spontaneous company, very spontaneous people, we're not organized, we're not a very good company."

Instead of strategically selecting a country for internationalization, conducting market research, learning about foreign network structures, and networking with specific people according to a specific network goal, the entrepreneurs established relations with all interested actors in order to maximize the set of available means and to increase the variety of possible outcomes. The eventual effects from partnerships were unpredictable so it was important to have plenty of them in order to choose the most suitable one:

F1: “We did not go into the structures... that we should be interested in. The rational way is to choose your clients, your target group, to go to the main players. We decided not to do that. We entered Russia without making the effort we should have made. The contacts that brought us there were outside... these key people are not directly there. We started in Lithuania, and those people in Lithuania happened to have close relations with our Russian partners. So, they brought us to that sector.”

F1: “The subjective side of business is more important. We need to find people, not companies, not structures.”

F2: “If you have a wide network, it is like fishing – you throw your net and something will come up.”

3.3. Trust

Our findings demonstrate that the relations in effectual networks could not be characterized by trust because of their spontaneous establishment and absence of a final goal:

F5: “Trust takes time. You cannot build trust after one cup of coffee.”

However, when the purpose of these relations was co-created by both parties, when they began to learn about each other and engage in reciprocal relations, then those relations became more trustworthy and predictable.

3.4. Affordable loss instead of calculating network risk

Respondents admitted that establishing relations without a clear goal regarding their purpose and outcome is not associated with risk because the returns or losses from these relations cannot be estimated. In terms of losses, they only discussed the time they could afford to lose in case a relation did not work out. If the relation happened to be successful, however, the time spent establishing it would be regarded as an investment:

Interviewer: “Do you think it [effectual networking] can be risky?”

Response from F1: “I see more fun! I would not call it risky. It is fun but without stressing the entertainment side. It is not entertainment. It is very serious.”

F2: “There are no right or wrong persons, they are just connections which may be useful someday...someday something will be very useful and bring an opportunity...you cannot fail because you cannot know in advance which is the right connection and which is not.”

F5: “The only negative thing to me about networking is... just a complete waste of time.”

3.5. Leveraging network contingencies instead of uncertainty reduction

The interviews show that in many cases the entrepreneurs did not try to reduce network uncertainty by gathering information on foreign market structures and potential partners, and developing trustworthy relations before engaging in a deal. During the internationalization process they were open to unexpected relations, and perceived them not as negative factors but as a chance to exploit new opportunities. They also admitted that this attitude required a certain mindset. The quotes below illustrate this finding:

F1: “I was asked by chance to give a presentation in China... of course, at the end of the lecture I used my company as an example. And after the lecture there was a strange guy asking ‘Can you come to Malaysia?’ I didn’t study anything about Malaysia, what possibilities were there, I didn’t ask any fund for the money to export to Malaysia. I didn’t ask any consultant. I didn’t ask anybody! But I simply said in two seconds ‘Yes!’... that’s how we expanded to Malaysia... so, we just went to see if something would happen.”

F6: “You should not plan too much. Often surprising things happen that create new possibilities you could not predict, it requires improvisation and an open mind.”

3.6. Network co-creation and self-selection

As opposed to the coordination of networking activities that would restrict potential international opportunities, the entrepreneurs did not influence their network relations. They did not try to assess whether they had a position inside or outside the network, and into which foreign network structures their firms could fit. It was a conscious choice not to control and influence the network in order to let the other partners bring unexpected opportunities and co-create new combinations:

F1: “Our network develops itself... it is like an amoeba... I don’t know how it will look tomorrow.”

Interviewer: “So, I guess it will be strange to ask how you coordinate your network – you don’t do it.”

Response from F1: “No, definitely! But if we see that a network does not bring enough results, if not enough things are happening, not enough balls in the air, then we also stop being active in it.”

F5: “You cannot coordinate your network, not fully at least... the best way is just to leave it to develop by itself. It is not control, in a sense.”

3.7. Impact on internationalization process

The received data show that effectual logic of networking had a specific impact on the internationalization process. The data demonstrate that effectual networking influences decision-making on internationalization. In some cases, respondents found it difficult to specify the exact point in time when the company made a decision to internationalize, and how the actual foreign expansion started. Instead of following a predefined plan to expand to specific countries, the case firms were driven by ‘Who I know’, which is related to available means:

Interviewer: “How did you start internationalization? What was the first country you entered?”

Response from F1: “I cannot say that something had started. I didn’t feel that something started... there was no first country. No, we don’t work that way. We’ve never targeted any country, we’ve never chosen any strategic issue, we’ve never focused, we don’t do that... we intentionally avoid systematic approach... we don’t try to build a highway up to the top of the mountain and then buy a Mercedes and drive to the top.”

The above quote shows that acting effectually is a conscious choice made by the entrepreneur, as opposed to acting strategically and systematically, because it is considered to be the best way to provide space for opportunity. This evidence supports the argument that effectual partnering differs from serendipitous networking and coincidental meeting of people at random.

Additionally, the findings of this study show that the firms’ market selection was primarily driven by its networks, and geographical direction was the secondary issue that it considered. The entrepreneurs were more likely to be driven by ‘Who I know’ rather than

questions of ‘Where to expand?’ and ‘What entry mode to choose?’ In other words, their approach to internationalization was a ‘people first, country second’ principle:

Interviewer: “What is the next country to enter?”

Response from F3: “Wherever people seem to be interested! I think it would be more difficult to choose the country beforehand, and then search for contacts there. Imagine, I go to a conference and say ‘Any Swedish guys here? We expand to Sweden, so I only talk to Swedish people’. I can’t imagine doing it that way. It has to be that people come first, and the country comes after. If this connection is from China – we go to China. But it can also be from the US, no problem – let’s expand to the US.”

F1: “The main point is that we never intentionally, strategically planned that ‘Now we should establish a subsidiary in Moscow’, no.”

This study demonstrates that effectual networking processes not only influence internationalization but also obtain specific attributes in the context of foreign expansion themselves. As the profiles of the firms in this study show, the effectual logic of networking does not only dominate during the early stages of venture development, as suggested by Sarasvathy and Dew (2005: 548). For instance, firms F2, F4, and F7 do not represent a new venture type of firm but show evidence of effectual networking during their internationalization stage. Therefore, it is argued that it is conditions of high uncertainty (such as internationalization), rather than the stage of new venture development, that determine the effectual logic of networking.

The findings have been employed to develop the following propositions:

P1: In conditions of high uncertainty, such as forming networks in foreign markets, SMEs are more likely to employ effectual logic of networking and to establish relations wherever an opportunity emerges.

P2: Foreign market entry is more likely to occur by SMEs following their networks into new markets instead of these markets determining where and what partners to select.

4 CONCLUSIONS, IMPLICATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

This research shows that the networking of SMEs during their internationalization can be termed non-rational, if rationality means following predictive reasoning and being driven by predefined goals. Employing the effectuation perspective, it is proposed that it can be logical but that the logic is different. Johanson and Vahlne's (2009) revised internationalization process model has been integrated with the effectuation approach (Sarasvathy, 2001) to examine some of the anomalies in SME internationalization that have been identified in the extant literature. This study provides an explanation for previously discarded phenomena in the internationalization process that were considered to be outliers. It has been well documented in the entrepreneurship literature that entrepreneurial firms which lack resources find them through their network (Blankenburg Holm, Eriksson & Johanson, 1996; Chetty & Agndal, 2007). This represents the 'Who I know' aspect of entrepreneurial means in effectuation.

The effectuation approach and Johanson and Vahlne (2009) both acknowledge the central role of network relations. This paper outlines the similarities in understanding networks in the two theoretical approaches to demonstrate their compatibility. The differences, in turn, indicate how effectuation can complement the revisited Uppsala model; while the model does not focus on any specific type of internationalization, effectuation theory focuses more on small firms and entrepreneurial situations. Hence, effectuation can be complementary in explaining the internationalization of small entrepreneurial firms. Employing the effectuation approach, this study focuses on SME networks at the entrepreneur level and shows how uncertainty can be exploited to enter foreign markets successfully. The findings show how the opportunity for internationalization occurred through means driven logic because of how and with whom entrepreneurs formed networks, rather than having predefined internationalization goals. Consistent with Johanson and Vahlne (2003), existing relationships influence the choice of markets to enter. It was found that expansion into international markets is related to the entrepreneur's connected networks, and the firm's subsequent internationalization is related to its network development. This study also shows that these effectual relations cannot be characterized by trust. While Johanson and Vahlne (2009) state that risks are unavoidable during the internationalization process as the firm advances into the unknown, effectuation offers an alternative view. Effectually networking entrepreneurs substitute predicting the future and evaluating risks with the principle of affordable loss. This means that they estimate only what they are willing to lose to enter a new market that could eventually fail. While networking is important in both the revisited Uppsala model and effectuation, in the former relations are employed to cope with uncertainty through learning, and in the latter new connections are employed to leverage contingencies. By collaborating with all interested network partners, firms co-create the direction of their internationalization process, such as which markets to enter and what modes they will use.

Consistent with effectuation, it has been found that network relations formed effectually influence the internationalization decision and determine which foreign markets the firm enters, rather than vice versa. The findings confirm that effectuation focuses on the means to make internationalization possible. It was found that entrepreneurs are not constrained by a lack of market knowledge or knowledge about networks, but keep an open mind to pursue opportunities to increase their means to internationalize. Firms enter markets wherever an opportunity emerges to commit to a network relationship that will increase their means. This is similar to Johanson and Vahlne's view (2003) that firms acquire knowledge through their relationships, which subsequently enables them to enter new foreign markets where they can form new relationships that serve as a base to enter other foreign markets. The present authors found that foreign market selection is determined by networks and not by a clear strategy of choosing psychically close markets and then progressively more distant ones, and

also wish to emphasize that internationalizing firms do not follow purely effectual networking strategies; they are balanced with causal strategies that are more applicable in the early and more uncertain stages of foreign market entry. Later, when firms become established in foreign network structures or when the situation allows for some degree of prediction, causal decisions prevail. Hence, in this study effectuality as a characteristic of entrepreneurial action (networking) represents a degree rather than a category diametrically opposed to causation, which is consistent with previous research (Perry, Chandler & Markova, 2011; Harms & Schiele, 2012).

Effectual networking suggests new ways of dealing with network relations during the internationalization of SMEs and thus has certain practical implications. Effectuation logic shows that, since they are unmanageable, networks should be left alone so that numerous opportunities might appear for the firm. An implication for entrepreneurs is that they should encourage this organic development of networks rather than constrain it through structured networks. In particular, networks in early internationalizing entrepreneurial firms need not necessarily be planned, structured, and coordinated. Entrepreneurs could improve their networking skills by being flexible and open to meeting those outside their network as this could open up new opportunities, which are absent in their existing networks.

In addition, entrepreneurs need to reconsider how they deal with lack of knowledge and uncertainty avoidance by replacing these perceived obstacles with affordable loss. Hence, in their rush to internationalize to benefit from windows of opportunity, managers need to think in terms of affordable loss and co-creation with partners to increase their means. Entrepreneurs need not feel inadequate because they do not have a goal oriented business plan. The implication for policy makers who provide funding opportunities for entrepreneurial firms is that they need not place huge emphasis on goal oriented business plans but should incorporate the means driven approach. Policy makers need to consider the business model used in entrepreneurial firms, their ability to acquire resources through these networks, and to co-create opportunities.

This study also provides several indications for the future direction of IE research. First, this study's findings can be taken further by employing in-depth qualitative case studies in other country and market contexts, such as whether entrepreneurs are likely to network effectually in some conditions (e.g., emerging turbulent markets; high psychic distance). Second, future research could study the industry specific context and explore whether entrepreneurs use more effectual partnerships in specific industries; for example, exploring whether effectual network strategies are more suitable in knowledge-intensive, innovative, or high-tech sectors where internationalization does not require large investments to develop sales subsidiaries and factories. Finally, future research could combine the effectual logic of networking with the internationalization process literature to examine other aspects such as entry mode, social capital, and market knowledge in greater detail.

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