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**ENTREPRENEURIAL CHANGE IN NETWORKS**

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## **1 INTRODUCTION**

### **1.1 Research context**

This research tests validity of the entrepreneurial model by Schweitzer et al. (2010) utilizing case study of Polish company. Case begins with the founding of the company to the internationalization process to Finland. We will be reflecting the case to the the entrepreneurial model of internationalization process (Schweizer et al. 2010) as a theoretical framework, the level of analysis being the entrepreneur.

### **1.2 Research gap**

The model interestingly attempts to combine the entrepreneurial theories with the internationalization process model aiming to create more holistic view on entrepreneurial process. Contrary to previous research the model sees internationalization as a by-product of entrepreneurial activity and thus the can be seen a general model describing the entrepreneurial change. The model itself has not been widely confronted with empirical reality, so this paper aims to test its validity in explaining the entrepreneurial change.

### **1.3 Research question**

Main research question is: *How entrepreneurial change happens in networks?*

### **1.4 Key terminology**

*Entrepreneurial change*: In this paper we define entrepreneurial change as processes described in the model by schweizer et al. (2010) including opportunity identification and development, network commitment decisions, learning, trust building and exploiting contingencies.

## **1.5 Methodology**

Qualitative research is conducted in form of single case study using interviews as a method of data collection.

## **1.6 Research structure**

In chapter 2 we review the evolution of the internationalization process model by Johanson & Vahlne by looking the original (1977) and the revised (2009) models that create a backbone to our theoretical framework. In chapter 3 we construct the entrepreneurial model of internationalization process by adjusting the 2009 model with other entrepreneurial theories to create our theoretical framework.

In chapter 4 we take a closer to the methodology behind the research and go through the data collection and the interview process. In chapter 5 we introduce the industry environment and the case company. Then we take a look to the case itself following the data analysis. Chapter 6 answers the research question based on the analysis of the empirical data.

## 2 EVOLUTION OF INTERNATIONALIZATION PROCESS MODEL

### 2.1 Internationalization process of the firm in 1977 model

Internationalization process model by Johanson & Vahlne (1977) was built upon empirical research conducted with Swedish firms developing their international operations. The empirical evidence suggested that companies internationalize incrementally, starting the cross-border operations with lower commitment modes such as exporting or selling via agent, and moving to higher commitment modes as they gather experience.

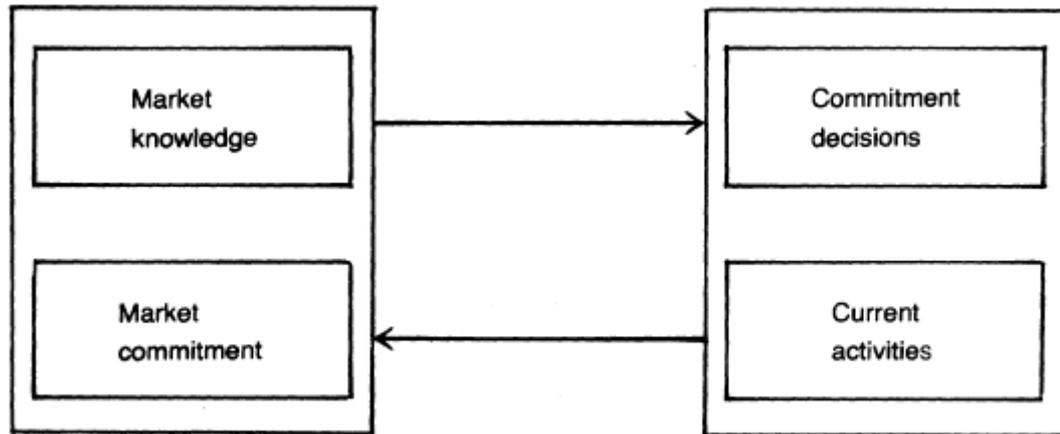
The biggest obstacle for the internationalizing process of a firm is a lack of knowledge and this knowledge can only be acquired by gaining it through experiences. The lack of knowledge of particular market creates uncertainty that affects the risk associated to commitment to the market.

The article draws heavily from the research of Johanson & Wiedersheim-Paul (1975), with concepts of *establishment chain* and *psychic distance*. Establishment chain is a sequence of four stages that internationalizing firm goes through the first stage being no regular export activities. The following three stages are: exports via independent representatives, sales subsidiary and finally production/manufacturing.

Psychic distance is defined as “factors preventing or disturbing the flows of information between firm and market” (Johanson & Wiedersheim-Paul 1975: 308). Typical factor could be such as: culture, business practices, legal system and religion. Psychic distance is not correlated geographical distance, although it is often so, like in case of Scandinavian countries or U.S and Canada. Contrary to this, psychic distance of countries like Finland and Russia or U.S and Cuba are big even though geographical distance is small.

According to Johanson & Vahlne (1977) firm aims to keep risk level low, so internationalization process is series of incremental decisions affected by the company’s market knowledge and view on uncertainty. Dynamic model of internationalization

process proposed by authors is composed of two basic mechanisms, state and change aspect.



Fi

**g. 1. Internationalization process model (Johanson & Vahlne 1977: 26)**

The state aspect includes the market knowledge and market commitment and change aspect the commitment decision and current activities. Model is dynamic, so any change in company operation affects other factors in the model creating cyclical pattern of incremental decisions.

Market commitment is combination of the amount of resources and the degree of commitment the firm has invested to particular market. Degree of commitment is measured as how integrated the resources are to company's structure and how difficult it is to find alternative use for the resources committed to market.

Second state aspect, Market knowledge is the initiator of commitment decisions in the internationalization process. Market knowledge includes knowledge about opportunities and risks that are involved in particular market, as well as knowledge about the performances of firm's markets activities. Johnson & Vahlne (1977) cite Penrose (1966) in their classifications of objective and experimental knowledge. Experimental knowledge is seen as critical for learning about the opportunities on the market, and because it can only be acquired through market activities, it justifies the argument of incremental increase of market commitment.

Current business activities, the first part of the change aspect, are source of knowledge are learning for the company. There is a tradeoff with level of commitment and the knowledge business activities can generate, as lower commitment mode means lower information flow between the market and the firm.

Second change aspect, commitment decisions is about firm's decision to increase or decrease commitment to foreign market. Johanson & Vahlne (1977) state that company increases its market commitment until its maximum tolerable market risk is met and vice versa, it will reduce its commitment if maximum tolerable market risk is exceeded. Third component affecting the equation is market uncertainty. In stable markets firm current business activities can be argued to reduce market uncertainty and thus lowering the existing risk, leading to increase in commitment.

Any change in the market, that affects market uncertainty or any change in company's approach to market risk will lead to commitment decision to adjust market commitment. Psychic distance, affecting information flow, will affect the market uncertainty and therefore market commitment. The model proposes incremental changes in internationalization process that is driven by experimental learning creating market knowledge.

## **2.2 Internationalization process of the firm in 2009 model**

Over the years the relevance of process model was questioned. Especially the rise of the rapidly internationalizing high-tech companies brought up the arguments of its inability to explain those (Oviatt & McDougall 1994). Johanson & Mattson (1988) emphasized the development of firm's network position in foreign networks in company's internationalization process and Coviello & Munro (1995, 1997) further supported the relevance of networks over establishment chain.

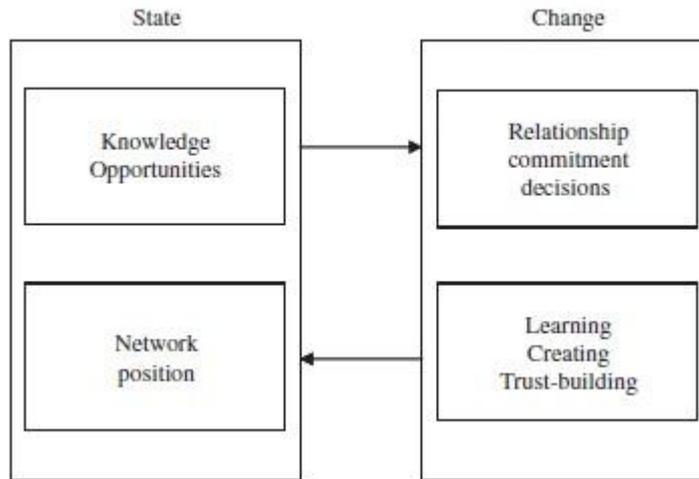
In 2009 Johanson & Vahlne updated their internationalization process model in light of the advancement in the International business research. New model emphasizes networks and the *insidership* in relevant networks in seen as a key to internationalization process. Psychic distance and liability of foreignness is not primary obstacle for firm's internationalization process, but rather its network position that is a

factor defining its business opportunities. Also the bilateral nature and mutual commitment in network relationship is acknowledged. Like in the original model, knowledge is central again but is expanded with concept of *relationship-specific knowledge*. Trust, being part of the knowledge concept in original model, is made more explicit now as the affective dimensions of networks relationship are acknowledged. (Johanson & Vaehlné 2009.)

Similarly the opportunity development is treated with more emphasis in new model. Businesses opportunities exist because of market disequilibrium and are discovered in on-going business activities, rather than through active search (Kirzner 1973; Johanson & Vaehlné 2009). Firm have access to privileged knowledge through their network relationships and this enables them perceive opportunities not visible to others. Opportunity recognition alone is not enough as only active development creates business opportunity (Ardichvili et al, 2003.).

Business network can also be the creator of business opportunity in form of new knowledge created through relationship or idiosyncratic resource match between parties (Angdal & Chetty 2007; Von Hippel 1988)

A business network model of the internationalization process is 1977 model adjusted with business network theory as well as some further modifications. Model is still dynamic, composed of state and change aspects.



**Fig. 2.** The business network internationalization process model (Johanson & Vahlne 2009: 1424)

Market commitment is changed to Network position in order to highlight the liability of outsidership over liability of foreignness as a main objective for company's internationalization process. Opportunity recognition is added to make its role more explicit as the change initiator in the internationalization process (Johanson & Vahlne 2009).

Market commitment decisions are changed to network commitment position, and current activities to learning, creating and trust building. Again, all this further underlines the bilateral nature of network relationship and the processes that take place in the relationship (Johanson & Vahlne 2009).

### **3 THEORETICAL FRAMEWORK**

#### **3.1 Internationalization as an entrepreneurial process**

In 2010 paper Johanson & Vahlne together with Roger Schweizer aimed to confront the 2009 model with empirical reality to test its validity. According to authors the process revealed that the model needed to be adjusted with other entrepreneurial theories that were earlier neglected, in order to better describe the process. (Schweizer et al. 2010)

#### **3.2 Effectuation**

Sarasvathy (2001) discusses the two approaches on decision making in form of causation and effectuation. Traditional approach to decision making in business (eg. Kotler 1991) has largely been driven by idea of detailed market and competition analysis and based on that, the firm will set its goals and resources needed to achieve them. Opposed to this approach, labeled as causation process, Sarasvathy introduces effectuation as alternative way for entrepreneurial decision making.

According to Sarasvathy: *“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 given and focus on selecting between possible effects that can be created with that set of means”* (Sarasvathy 2001: 245). Effectuation is not seen as a superior way, but rather alternative approach that will often intertwine with causation process in decision making.

Effectuation is utilizes the concepts of March’s (1982) ambiguity and choice, Knight’s (1921) views on uncertainty and Weick’s (1979) enactment and living forward. Theory of effectuation is based around four principles: 1) affordable loss rather than expected returns, 2) Strategic alliances rather than competitive analyses, 3) exploiting contingencies rather than exploitation of preexisting knowledge and 4) controlling an unpredictable future rather than predicting an uncertain one (Sarasvathy 2001: 252)

### 3.3 Business opportunity identification and development

The 2003 paper by Ardichvili et al. constructed a theory for opportunity identification and development using Dubin's (1978) theory building framework. The theory was built on previous theoretical and empirical research in order to create more holistic view on the subject, as well as to solidify the concepts and definitions involved in the process.

Five factors affecting the opportunity identification and development process are: 1) entrepreneurial alertness, 2) information asymmetry and prior knowledge, 2) social networks, 3) personality traits, including optimism and self efficacy and creativity and 5) type of opportunity itself (Ardicvili et al. 2003: 106).

*Entrepreneurial alertness* can be seen as ones capability to receive relevant information from the environment that is source of entrepreneurial opportunity such as market needs unemployed resources (Kirzner 1973; Ray & Cordozo 1996).

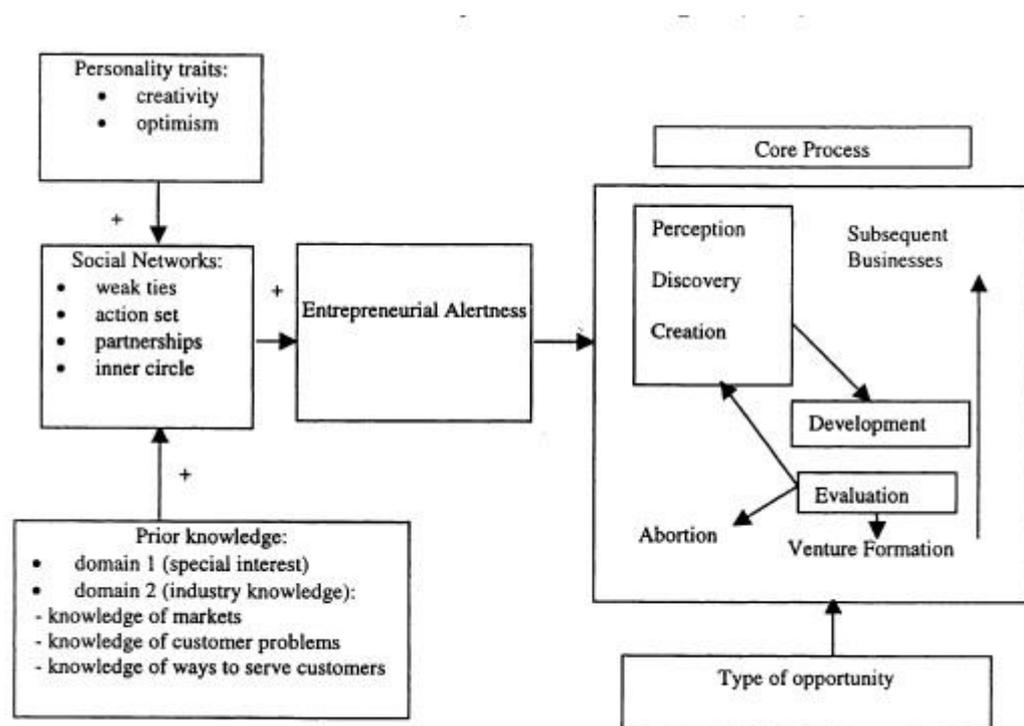
Information asymmetry and prior knowledge is the second factor affecting the identification process. Information asymmetry is the reason that entrepreneurial activity exists (Hayek 1945), as prior knowledge enables entrepreneurs to see opportunities where other might not see them (Shane 2000). Each entrepreneur has a unique collection of prior knowledge that creates ones *knowledge corridor* persons actions are based (Hayek 1945; Ronstadt 1988).

According to Shane (2000) three types of prior knowledge affect entrepreneurial opportunity discovery: 1) prior knowledge of markets, 2) prior knowledge of customer problems and 3) prior knowledge of way to serve markets. Sigris (1999) divided divides prior knowledge to two domains, special interest and industry knowledge. Special interest in something entrepreneur has natural interest, so therefore he is inclined to spend lot of time and learn about topics he perceives as fun and fascinating. Second domain, industry knowledge is acquired over long periods of time while working in the industry. When these domains are brought together, entrepreneur creates unique knowledge that let one seen market opportunities and customer problems (Sigris 1999).

*Social networks* are also important for entrepreneurial opportunity recognition as they expose entrepreneur to more opportunities (Hills et al. 1997). According to De Koning (1999) Entrepreneurs use their social networks to evolve opportunities using cognitive activities in form of talking to people, thinking through talking and resource assessing.

*Personality traits* are fifth factor affecting the opportunity recognition. Optimism and creativity are shown to correlate with higher opportunity recognition. Optimism is related to self-efficacy, as an entrepreneur's ability to set high targets and operate under high uncertainty (Kruger & Dickson 1994). According to Winslow and Solomon (1993) entrepreneurship and creativity closely related. Survey by Hills et al. (1997) found creativity to be important for 90% of entrepreneurs in opportunity identification.

The model for opportunity identification and development by Ardichvili et al. (2003) looks as follows.



**Fig. 3.** The model and units for the opportunity identification and development theory (Ardichvili et al. 2003: 118)

The process begins when the entrepreneurial alertness enables opportunity recognition. The opportunity recognition itself is composed three different processes: “sensing or perceiving market needs and/or underemployed resources, 2) recognizing or discovering a “fit” between particular market needs and specific resources, and 3) creating a new “fit” between heretofore separate need and resources in the form of a business concept” (Ardichvili et al. 2003:109)

Recognized opportunity is then moved on to development process in order to formulate a new business venture. Third part of the core-process is evaluation process that goes on at each step of the development.

### **3.4 Dynamic capabilities**

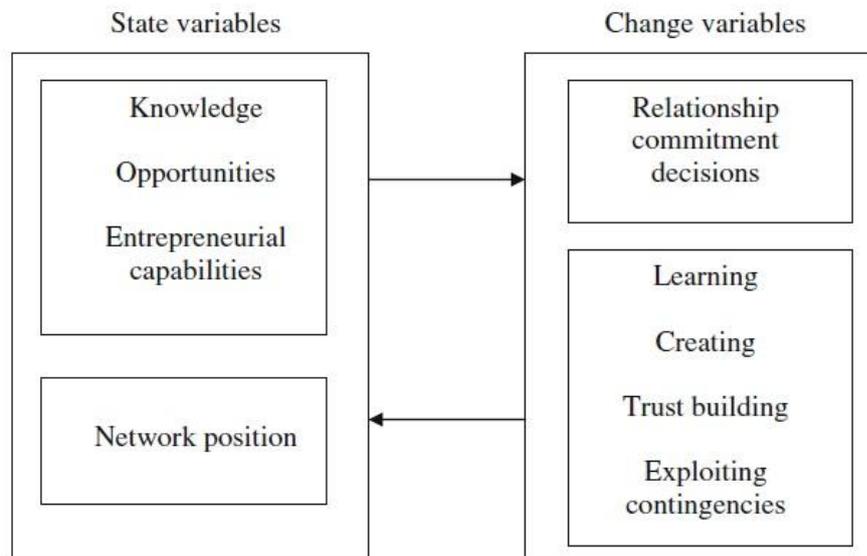
Dynamic capabilities framework developed by Teece et al. (1997) is a theory explaining firm competitive advantage. Where the resource based view (Penrose 1959; Rumelt 1984; Teece 1984; wernerfelt 1984) shifted the previous emphasis from the exploitation of market power to the efficiency of the firm and the strategic asset as a creator of competitive advantage, it felt short in explaining how it is sustained under a rapid markets changes underlined with high uncertainty (Eisenhardt & Martin 2000).

When defining the concept, dynamic part is referred as “capacity to renew competences so as to achieve congruence with the changing business environment” (Teece et al: 515) and capabilities to “the key role of strategic management in appropriately adapting, integrating, reconfiguring internal and external organizational skills, resources and functional competences to match the requirements of a changing environment” (ibid: 515)

The nature of dynamic capabilities is depended on the market dynamism. In the moderately dynamic markets, where the industry structure are more clear and changes more predictable, dynamic capabilities rely mostly on existing knowledge (Eisenhardt & Martin 2000). In the high velocity markets, where the uncertainty and change are constant, dynamic capabilities rely on the situation specific knowledge that is created rapidly as the environment changes (Eisenhardt 1989; Argote 1999)

### 3.5 An entrepreneurial model of the internationalization process

The model presented by Schweizer et al. (2010) looks as follows.



**Fig. 4. Entrepreneurial model of the internationalization process (Schweizer et al. 2010)**

The adjusted model emphasizes the entrepreneurial of the activities. Entrepreneurial capabilities are added to the state variables side to include dynamic capabilities such as capabilities to create and sustain networks and to create new relevant knowledge (Schweizer et al. 2010). I argue that these capabilities also help us to explain the competitive advantages that enable firms to penetrate networks. Exploiting contingencies is also added to the change variables in order to emphasize the effectuation process taking place in entrepreneurial change and decision making. Model is still dynamic and similar to 2009 model, utilizing network theory as a central framework.

Schweizer et al. (2010) argue that the entrepreneurial processes described are effectuation processes in nature. Contrary to predictive rationality that is dominating the past research, they claim that “entrepreneurs attempt to exercise control over what can be done with available resources (effectuation rationality) rather than decide what ought to be done given a set of predictions about what happens next (predictive rational view)” (Schweitzer et al. 2010: 368)

The model is explaining primarily entrepreneurial change. The basic premise is that the firm aims to increase its network position in order to achieve its objective. The internationalization is then seen as a by-product of the entrepreneurial activity aiming to increase its network position, not as a primary target. According to Schweizer et al. (2010: 365) “model may be so general that it makes more sense to see it as an explanation of entrepreneurial change. In that case, the change may or may not imply internationalization”.

Because of the model applicability to general entrepreneurial change, it is utilized in the case to describe domestic operations following the founding of the company as well as the internationalization process.

## 4 METHODOLOGY

### 4.1 Case study as a research method

Methodology of case study has been evolved from social sciences, but applied in whole spectrum of sciences from psychology to economics. Case study aims to describe the complexity of a one case and thus reveal a more on a theoretical background it is reflected on (Johansson, 2003).

Case study is a qualitative research method where a certain unit or group (case) is explored for a period of time using multiple sources of information (Creswell, 2007). For this paper I will be conducting single instrumental case to study.

According to Wilson (2010) single case study works for critically testing a theory so it is applicable to our research. The case design of the research the can be seen as holistic as we explore the single case with narrow focus on analysis (Wilson 2010).

Interviews are highly common way to conduct a qualitative research as it allows as in-depth look to a personal experience about the phenomenon in question. Face-to- face interview allows the researcher examine both the verbal and non-verbal communication as well as a possibility to expand on the interesting issues that might emerge during the discussion (Wilson 2010).

For the case study the balance between the description and analysis should be considered as Creswell (2007) suggests that the balance should be 60%/40% or 70%/30% in favor of description.

When considering the case in question we can model after the original article of Internationalization as an entrepreneurial process (Schweizer et al. 2010), which also utilized case study creating empirical base for the research.

The level of analysis is the entrepreneur, who operates the company in context of stone industry in Finland and Poland. We reflect the data collected to theoretical framework in

order test the validity of the model in explaining the phenomenon we defined as *entrepreneurial change*.

#### **4.2 Interview process**

Two themed interview sessions were conducted, first lasting 25 and second 27 minutes. Interviews were unstructured (Wilson 2010), although the theme and general point of interest of the study was made clear in the beginning. The discussion followed the entrepreneur's experiences in chronological manner, in the second interview going further back to the beginning of the entrepreneur's career.

Both interviews were recorded. First interview was transcribed fully, but for second one, only the first 20 minutes of the interview was used, as rest of the interview focused mainly on the topics already discussed in the first interview.

## **5 ENTREPRENEUR CHANGE PROCESS IN NETWORKS**

In this chapter we will be examining the case of polish entrepreneur. First we'll introduce the case company and the industry environment it operates. Finally in the data analysis we will be reflecting the case to the chosen theoretical framework, looking different aspects separately.

### **5.1 Case company and industry environment**

The case study is about Polish SME found in 2008 that operates in stone industry. In the case we will be examining the company's internationalization process as the entrepreneur as a level of analysis. The company has production in Poland as well as sub-contracting in Finland. In addition, the company is importing natural stone from Finland for both, its own use as well to resell. 80% of company's Polish production consists of tombstones and customer base is mostly private customers. In the production company employs 4-5 workers regularly and 2-3 additional ones during the high season.

The stone industry in Poland is centered on the area of lower Silesia, Strzegom being considered as a capital of the industry. In 2009 there were 1724 companies operating in stone industry at area of Lower Silesia province. Most of the companies (1432 in 2009) operate in stone material processing and 121 in quarrying business and 171 in machinery. Companies are usually small (max. 9 employees) and often family businesses. (Maciejczyk & Opiola 2009)

The amount of people the industry is employing in Lower Silesia area is estimated to be around 7000, of which 2000 work in quarrying. The figure is still estimated to be lot bigger because of the seasonal nature of the work. Companies offering services in the area can be divided four categories. The biggest groups are companies who offer construction services and specialize in tomb stones and smaller elements employing maximum 9 employees. Another big group is companies doing assembly services, maintenance and stone art. These two groups together employ 90% percent of workers in the industry. Two remaining employer groups are the small specialized production companies (employ 5%) and bigger factories with over 20 employees, who offer wider range of services (employ 5%). (Maciejczyk & Opiola 2009).

Finnish stone industry employs around 1400 employees and annual turnover around €200 million. The export of Finnish stone fluctuates heavily and is has been between €100 million (2006) and €50 million (2015). Poland is 8<sup>th</sup> most important single country for Finland to export with sales of €2 million, China being in the class of its own with exports over €20 million (Kiviteollisuusliitto 2015).

## **5.2 Company foundation and internationalization process 2008-2014**

The case company was founded in 2008. At the time entrepreneur was working in his father's company that was producing building materials, mainly granite cubes. He saw other opportunities in the market, but his father was unwilling to expand to different products, so entrepreneur ended up founding his own company. With the new company he expanded his production to tombstones, marketing them outside of his regional area. Marketing was targeted to bigger cities, such as capital Warsaw, where the demand was higher, but the competition lower.

Later that year the company invested in production by acquiring wire saw. With this investment company was able buy natural stones as raw material (later blocks) and saw them to the half-finished products (later slabs). This enabled them cheaper production of tombstones, but also opened up a new business of selling slabs to other companies.

In 2009 the entrepreneur was contacted by one Polish employee who was currently working in Finland. He was told that a Finnish stone company is looking for sub-contractor to work on a factory in Finland. At the time entrepreneur felt that it was possible for him to go as he had found a good team to run his operations in Poland and things were stabilized.

In 2009, one year after founding the company, the internationalization process started with the sub-contracting operations in Finland. Polish entrepreneur managed the production in factory of the Finnish company 1 as sub-contractor while the operations in Poland continued run by employees.

Before coming to Finland, entrepreneur had already had a plan to import blocks for his own use in Poland and at that time he was looking for different European markets as

well as Scandinavia. Finnish stone was already being imported to Poland and some of them were very famous. Operating in Finland opened a new opportunity to get access to the Finnish stone industry and opportunity to import blocks to Poland.

Finnish company 1, for whose factory entrepreneur was managing, was also operating in quarrying business. So after one year of cooperation, entrepreneur started buying blocks from Finnish company 1 and importing them to Poland. Initial idea was to use imported material only in the production of entrepreneur's own company's, but soon after he decided to sell blocks also straight to other Polish companies as well.

After cooperating with Finnish company 1 as both a sub-contractor and buying blocks, the owner of the Finnish company 1 started using his networks and introducing the entrepreneur to other Finnish companies from stone industry. This enabled entrepreneur to establish new networks and find another stone materials to be imported to Poland.

In 2013 he was able have contact with a company from east side of Finland, which quarried black stone. The demand for black material is very high in Polish market therefore this connection helped him tremendously in growing the importing business. During the years had also gained some reputation in Poland and local companies were now approaching him and asking if he could deliver certain materials from Finland to them.

Entrepreneur continued to work as subcontractor in the factory of Finnish company 1 during the weekdays and in weekends he travelled around Finland, working on the importing business. By 2014 importance of the importing business for the Polish company was increasing and during that peak year entrepreneur delivered 60 trucks of stone from Finland to Poland.

### **5.3 Data analysis**

#### **5.3.1 Opportunity identification and development in founding of the company**

The founding of the company was driven by entrepreneur's ability to identify and develop opportunities on market. As the entrepreneur came from the area of lower

Silesia, where the most of the industry is located are, he was able act on the opportunities other companies seemed miss.

“to be honest everywhere people need tombstones, but different places in Poland offer different prices for example in my area and where I live and where is my factory is quite a lot of different kind of factories which makes tombstones. So the prices absolutely are lower than in some other places in Poland and off course the capital city offers the best prices always. One thing, this is the biggest city, in Warsaw lives two million people and on that big city there is not so many factories that in my area where lives...I don't know...count three cities by the near Jawor this maybe 100 000 people. So, I have found some hole for selling the tombstone in Warsaw...not only Warsaw, but some bigger city than my area.” (Entrepreneur 2016)

The disequilibrium in market in form of supply and demand was a source of business opportunity for the case company. Most likely the opportunity was identifiable for other companies as well. Entrepreneur was asked why local competitors don't go outside of their region and try to develop the opportunity:

“And I think people are afraid to about this kind of the business or are maybe too lazy to go outside. They usually spend all the time on our area and they... I think they are really afraid to go and try something new. I don't scare about something new, if you don't try you will never know what happens so off course I made some mistakes, because it is impossible to run with any business without any mistakes, but I get a good conclusion from the mistakes and try to...next time try to make it better or different.”

When reflecting the case to identification on development model proposed by Ardichvili et al. (2003) we see that factor of personal traits and prior knowledge act as most important antecedents for entrepreneurial alertness in the case. Entrepreneur's background in working with his father's company and being involved with the industry provided him good knowledge about the markets, customer problems and ways to serve customers. Personal traits of self efficacy and optimism are evident in all his actions when developing the opportunities.

### 5.3.2 Beginning of the internationalization process

Through his personal networks entrepreneur learned about the opportunity to do subcontracting in Finland and penetrate the foreign network (Johanson & Mattson

1988). Entrepreneur had already identified opportunities in Finnish markets, but this establishment of new networks allowed him to acquire knowledge about Finnish stone industry. After one year of cooperation with Finnish company 1, in 2009 entrepreneur began his importing business, buying from company he cooperated with and selling stone Poland.

“Of course it’s everything is up from the marketing of the promotion. The material that I offered was quite popular in Poland. All the stone company knew this material. The biggest problem was to prove somehow I have this material straight ahead from the quarry company. Polish companies are not so...doesn’t trust so much for new guys or new companies. So that was the biggest problem. But, step by step... and every next year it’s going much more better”

“I was looking for some customer for this material and you know try to be on the bigger horizontal for you know...just trying to find some customer. What is not easy because we have lots of company who offer blocks in Poland so to find some area for this business is not so easy, but I really want to do that and I was knocking every to door” (Entrepreneur 2016)

The material he started the importing with was already known in Poland, but he still needed build trust in order to establish relevant networks in the Polish markets. The gradual nature of increased network commitment is in line with Johanson & Vahlne (2009), as the mutual trust is needed in establishing network relation and it takes time.

Gradually he was able to extend his networks in Finland and find new contacts, but be lot of the companies had already some exports to Poland which were at the time handled by the trading companies or sales agent, so establishing the business relationship proved to be difficult. Some occasions he was able to leverage his relationship with Finnish company 1 to establishing the relationship with Finnish company 2.

“And it’s not so easy to get in of some structures if companies have some contract with Polish agents, Polish companies which buying quite lot of blocks it’s really quite difficult to buy as well straight ahead from them.” “That was really long way with CEO of Finnish Company 2 when I could start buy to the blocks” (Entrepreneur 2016)

“I was starting some cooperation with them. How we know, I had quite good position in Finnish company 1 factory and I helped both of the companies, I mean, Finnish company 1, for who I made services and as well for them (Finnish company 2). That was...both sides helping business. For example CEO of Finnish

Company 2 was needing red cubes and I could offer him the red cubes for the good price from the Finnish company 1 and that was you know the beginning. I tried to...you know somehow operated between them and make good business for both of the companies.” (Entrepreneur 2016)

This an example of the multilateral nature business networks, where company can utilize external resources through its networks (Johanson & Matsson 1988; Johanson & Vahlne 2009).

Despite its declining importance in explaining of internationalization process, we can argue that psychic distance was also a factor that the internationalization started in Finland. Both, Finland and Poland are members of European Union so therefore have lot of cultural and legal commonalities.

### 5.3.3 Entrepreneurial capabilities

Dynamic capabilities created competitive advantage for the entrepreneur and in this case these were the capability to create networks as well as the capability configures resources in the networks to create value. Stone industry can be seen as moderately dynamic market where the dynamic capabilities rely on the existing knowledge (Eisenehardt & Martin, 2000). Entrepreneur’s vast industry knowledge and capability of combining resources from the networks in order to arrange production acted his competitive advantage that allowed the initial penetration and later extension of international networks.

### 5.3.4 Effectuation

The entrepreneurial decision making in the case can be argued to largely follow effectuation logic, but at times intertwining with causation rationality. The initial analysis of the market opportunity that lead to founding can of the company can be argued to follow causation logic, but the later stages in the entrepreneur change follow heavily effectuation rationality.

The start for the internationalization process is an example of exploiting contingencies as an unplanned opportunity emerged that was the then used create business network.

We can agree with Sarasvathy (2001: 250) that also in our case, the entrepreneurial process started with three means of “they know who they are, what they know, and whom they know”. Entrepreneur started with these means his internationalization process using effectuation principles of *affordable loss* and *strategic alliances* to extend his operations to sub-contracting and later to importing business.

“I have never think before to make importing business. I was thinking to buy for my own use material for”. (Entrepreneur 2016)

This in line with unpredictable nature of internationalization process with effectuation rationality as the entrepreneurs can create different goals or opportunities using his means as the situation emerge (Sarasvathy 2001; Schweizer et al. 2010).

Affordable loss principle can be seen utilized in every business extension. Before starting internationalization process as a subcontractor, entrepreneur had already stabilized his operations in Poland so it allowed him opportunity to experiment with different operations. The risk in the sub-contracting was only his personal time invested working in Finland, so if thing would not have worked out he could have always gone back to Poland and try something else. Similarly when he started his importing business, he had already secured his place in managing the factory of Finnish company 1 and he could now use his weekends to and try to build the importing business.

Using effectuation principles in decision making entrepreneur was able to build his business to the point that was to unforeseen when the company was founded in 2008.

## 6 CONCLUSION

The research question: *How entrepreneurial change happens in networks?*

Personality traits and market knowledge are primary antecedes for entrepreneurial alertness that enables opportunity identification and development. Especially self efficacy and optimism seemed be important personality traits that helped to act on the perceived opportunity. Dynamic capabilities act as competitive advantage in order to penetrate the networks in competitive environment. Network position improves gradually as mutual trust building between parties is needed and it takes time. Network relationships are multilateral where the resources of the networks are combined to create new opportunities. Entrepreneurial change process relies heavily on the effectuation logic as the process is underlined with unpredictability. Entrepreneur uses his “means” in form of knowledge, networks and entrepreneurial capabilities to create multiple goals.

## 7 REFERENCES

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