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**ACCELERATION OF INTERNATIONALIZATION – LESSONS FROM THE DARK SIDE**

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Abstract  <p>In international business research, there is an illegal gap, literally. This mostly unexplored area of illegal international businesses can be very fruitful: the international illegal businesses operate in highly dynamic and turbulent environment under great pressure. Also, in illegal context lies potential to test existing concepts and theories in very similar but profoundly different context. Therefore, the purpose of this study is to discover how the acceleration of the internationalization is influenced by the contextual factors of illegal businesses.</p> <p>To seek answer to research problem, this research adapts to critical realistic in its philosophical nature. Furthermore, the method of this exploratory research is qualitative, and data is collected in semi-structured interviews. The data is analyzed and interpreted abductively, and so the findings are the result of continuous discussion between theory and the data.</p> <p>This research found support that illegal international businesses have some unique features, and that these contextual factors do influence their internationalization. This study supports earlier findings of Born Global research on acceleration of internationalization, draws attention to the role of external environment (institutional environment) as influencing factor of acceleration of internationalization, and brings insight on the firms' abilities of continuous innovativeness and change.</p>			
Keywords accelerated internationalization, influencing factors, international illegal business, Born Global			
Additional information			

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## **1 INTRODUCTION**

This research is a master's thesis about the acceleration of internationalization in the illegal business context. The motivation for this research is to gain understanding on the influencing factors of the acceleration of the internationalization by studying the phenomenon in the new context, illegal business perspective. This new context allows also highlighting the heterogeneity of internationalization motives, processes and the business types involved in internationalization. The study follows the domain of international entrepreneurship (McDougall & Oviatt, 2000; Madsen & Servais, 1997; Zahra & George, 2002; Gabrielsson, et al., 2008; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005)

In this chapter the research is justified, and the research gap is presented, followed by discussion of the research purpose and the presentation of research questions. Further along, the key concepts, theoretical background, research methodology and research structure are introduced.

### **1.1 Justification and Research Gap**

International illegal business activities, excluding those derived from tax evasion, is worth about \$2.1 trillion per year, according to the United Nations Office on Drugs and Crime (2011, p. 9). This is equivalent to 3.6 percent of world GDP in 2009 and about 7 percent of global exports of merchandise. 70 per cent of those proceeds are likely to have been laundered through the financial system (United Nations Office on Drugs and Crime, 2011, p. 9). The main illicit markets in the European Union generate around 110 billion euro revenue each year, which is approximately 1 % of the EU GDP (Savona & Riccardi, 2015, p. 7). In addition, the share from illegal business revenues from the seven Organized Crime Portfolio (OCP) -countries (the Netherlands, Spain, Ireland, Great Britain, Italy, France and Finland) is about 64 billion euros (Savona & Riccardi, 2015, p. 9).

Globalization have made it possible for more and more organizations to participate global markets including the criminal enterprises (Passas, 2003). Therefore, it is

important to include the darker side of globalization in to the conversation (Enderwick, 2009). Especially, as the biggest enemy to the free trade have been pronounced to be organized crime (Dobovshek, 2008). This is because, market liberalization and development of the technologies have opened also new opportunities for illegal businesses. Furthermore, the problem of organized crime is that it is not just a problem in a one country but it is a global problem, with roots all over the world. Globalized world makes their problem as well our problem, as the Polish police interviewed for this study concluded “- *because we are all living in the same planet. International crime in one country affect all other countries. We are all loosing money for them.*”

The illegal perspective to internationalization is very fruitful. The international illegal businesses operate in highly dynamic environment, under great pressure, and as stated above the globalization have not left the criminal scene untouched either. Then on the other hand there some significant conceptual differences, for example that illegal international businesses are illegal (Enderwick, 2009). And if the business environment is turbulent and economies are in a state of constant change for the legal businesses, the crime economy is an even more volatile (Passas, 2003). This is because, it does not only concern on-going changes in demand and supply, but also changes in criminal characteristics, as criminal action is valued by society itself (van Duyne, 2002). Moreover, in illegal context, there lies potential to test existing concepts and theories in very similar but profoundly different context. Taking all this into account, it is surprising that international business academics have not paid larger interest in the illegal businesses.

However there are some reacherches combining illegal context and international business activities. For example, cross-border trade and global criminal enterprises have been research on interface between legal and illegal actors (Bisschop, 2012; Passas, 2003; Little, et al., 2015). Some attention have been put on the networks of transnational organized crime, in such studies as Dobovshek's (2008) paper, which highlights both the ways in which transnational organized crime has developed and will develop, and also some problems in relation to financing economic organized crime networks; McIllwain's (1999) study on social networks of organized crime in its local, domestic and transnational contexts; Enderwick's (2009) study applying the



eclectic framework of international production in explaining the growth of transnational crime groups, and Gibbs, et al. (2010) present research of white-collar crime associated with the E-waste trade, which continues the research on the white-collar crimes presented by Passas in 2003. Then again, law enforcement, criminologic, and economic researches have provided picture on macro patterns and trends, such as the relation of institutional quality and the shadow economy (Torgler & Schneider, 2009; Torgler & Schneider, 2007; D'Hernoncourt & Méon, 2012; Dreher, et al., 2009; Ihrig & Moe, 2004), the relationship between the shadow economy and corruption (Buehn & Schneider, 2009; Dreher & Schneider, 2010), and a theoretical analysis of the informal sector (Chaudhuri, 1989; Feige, 1990). Nevertheless, in international business research, there is an illegal gap, literally.

## 1.2 Research purpose and Research question

The purpose of this study is to discover how the acceleration of the internationalization is influenced by the contextual factors of illegal businesses. En route to meet this purpose, this study will give insight on the scene of illegal international businesses and their characteristics. This research reviews the existing knowledge about the acceleration of internationalization and its influencing factors, explains the new context of internationalization of illegal businesses and provides new insight of influencing mechanisms of acceleration of internationalization. According to this, the following research question is proposed:

*“How the influencing factors of acceleration of internationalization are affected by the contextual characteristics of illegal businesses?”*

## 1.3 Key concepts of the study

**Illegal international business:** The firms that are criminal enterprises in international markets, as the corresponding term in the business field is international business. Particularly as the more specific terms have very specific definition in criminal law research (Passas, 2003).

**Characteristics of international illegal businesses:** All the features that do not apply directly to legal international businesses.

**Accelerated internationalization:** The effectiveness and speed of internationalization, often related to skipping stages from traditional internationalization process models (Gabrielsson, et al., 2008)

**Born Global:** Business organization, that from inception seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 1994).

#### **1.4 The theoretical background of the study**

Illegal businesses are embracing new global market conditions and technologies (Enderwick, 2009; Passas, 2003). Their organizations are becoming more flexible and shifting from strictly hierarchical organizational structure to more network-based hybrid-structure (Galeotti, 2005, pp. 1 - 4). The complexity of global operations and organizational flexibility can reduce risk by compounding the difficulties of detection (Enderwick, 2009). The loose networks in hybrid governance structure allow criminal groups to work flexibly across national borders but are also less vulnerable to disruption in case of some persons get arrested, killed or something like that (Galeotti, 2005, pp. 1 - 4). These loose networks of individuals, co-ethnic groups and businesses work together in specific cases, cooperate in joint ventures, exploit the corrupt contacts, and such, but there is little of the top-down control and coordination (Enderwick, 2009; Galeotti, 2005, pp. 1 - 4).

Interestingly, according to Galeotti (2005) improved policing seems to force criminals to become more dynamic and innovative to survive. Illegal businesses display high level of entrepreneurial ability and seize more rapidly and easier new opportunities because they lack the legal and moral constraints that conventional businesses face (Smith , 1978). The existence of market or institutional failure facilitate crimes and make their detection more difficult (Enderwick, 2009; Passas, 2003). In addition, studies show that the informal and criminal economy arises when taxes, regulations, etc. are imposed by governments and states that lack the capability

to enforce compliance (Loayza, 1996; Torgler & Schneider, 2007; Torgler & Schneider, 2009; Buehn & Schneider, 2009; Dreher, et al., 2009).

Galeotti (2005) identifies drivers behind the rapid evolving of illegal businesses. These drivers are: technological, political, economic, enforcement, and internal. Technological drivers mean the new technologies that lowers the costs of transportation and communication, making them more feasible. New technologies are also opportunities, like 3D printing of counterfeit products or hacking internet banking systems. The political drivers, which considers the push and pull factors, but also the chances occurring in globally as international standards becomes more accepted. At basic, crime is defined by laws, and laws are defined by states, but increasingly by international community. Similarly, illegal businesses are affected by the economic environment, for example outsourcing activities are great opportunities for criminal enterprises. Enforcement drivers force illegal businesses to be more innovative and cautious. Internal drivers mean that illegal businesses are shaped by the pressures within the illegal scene and illegal industry they operate in. (Galeotti, 2005, pp. 4 - 6)

The above-mentioned show that the emergence of firms that internationalize accelerated is notice also beyond international business academics. Following this link, the theoretical discussion of this study will concentrate on explanations of accelerated internationalization provided by business field. This is because criminology and law enforcement researchers are mainly focusing on identifying *explaining criminal* activities, international business field tries to understand the *internationalization processes itself*. This study concentrates on the influencing factors of the acceleration of born global type of illegal organizations, thus draws from the institutional theory literature to enhance the ability to take in notion the possible external environmental factors, such as the political and law enforcement drivers as identified by Galeotti (2005). As accelerated internationalization is phenomenon that incarnates in the Born Global firms, the phenomenon is discussed through Born Global theory (McDougall & Oviatt, 2000; Madsen & Servais, 1997; Zahra & George, 2002; Gabrielsson, et al., 2008). The emergence of these firms that aim to international or global markets soon after establishment, mostly in the last decades, is a result of global changes in technology, communications, and free trade,

very similarly as the drivers identified by Galeotti (2005) (Oviatt & McDougall, 1994; Zahra & George, 2002).

This study of Born Global firms' accelerated internationalization behavior is positioned in the research stream of international entrepreneurship literature (McDougall & Oviatt, 2000; Madsen & Servais, 1997; Zahra & George, 2002; Gabrielsson, et al., 2008). The Born Globals are important part of international entrepreneurship research, which emerged in the early 1990s as a response to the dynamic nature of newly internationalizing firms (Oviatt & McDougall, 1994). The research stream of Born Global bases its ground in the empirical evidence that not all firms internationalize according to the stages models where the organization develops gradually from domestic firms to multinational enterprises (Oviatt & McDougall, 1994).

### **1.5 Research strategy**

As the goal is to understand how the illegal context affects the influencing factors of acceleration of internationalization, qualitative research strategy to this exploratory study is chosen (Hirsijärvi, et al., 1997, p. 220). Research data consist primary and secondary data. The primary data consist of subjective data collective by semi-structured interviews from 10 participants on 8 interview sessions from attendants selected using purposive sampling. The attendants are experts of illegal context but are not from the illegal side because as the investigative journalist interviewed to this study pointed out that it is very rare to find illegal actors that are discussing the illegal activities and as Enderwick (2009) highlighted the fact that studying illegal actors can be dangerous, and that those actors are hard to find. The secondary data consist of seven reports. Two are final reports from European Union supported projects and the five following reports are snapshots from Finnish national level, published by Confederation of Finnish Industries, and by National Bureau of investigation. The gathered data will be then analyzed theory-guided, so the arise themes will be the results of continuous dialogue between the data and the existing theories of internationalization (Tavory & Timmermans, 2014, p. 21).

## **1.6 Structure of the study**

In the first part of research, the research phenomenon, theoretical justifications and research gap is introduced. In this context, the research questions are presented, and the methodology of the study is briefly discussed.

The second chapter discusses the theories of accelerated internationalization mainly through Born Global theory, but also draws from the institutional theory. Accordingly, the theoretical framework of influencing factors of acceleration of internationalization is formed.

Third chapter is about the methodology, empirical material and its collection methods. The collected research data is analyzed by continuous discussion with the theoretical framework.

The findings are presented in the fourth chapter and the key findings are then elaborated in the following chapter five, which is the discussion.

In the final concluding chapter, the research is evaluated, the limitations are considered, and the future research suggestions are made.

## **2 ACCELERATION OF INTERNATIONALIZATION**

Accelerated internationalization refers to the effectiveness and speed of internationalization (Gabrielsson, et al., 2008). The phenomenon of accelerated internationalization incarnates in the firms called Born Global whose management views the world as their market place from the outset (Knight & Cavusgil, 1996). Thus, the defining characteristic of a Born Global is its accelerated internationalization (Weerawardena, et al., 2007). Therefore, this research discusses the phenomenon of acceleration of internationalization through Born Global theory.

In the first sub chapter, the Born Global theory of accelerated internationalization is discussed in more detail. Then in following subchapter the theoretical discussion will draw from institutional theory to enrich the ability to discuss the findings related to external environment (McDougall & Oviatt, 2000; Zahra & George, 2002; Knight & Liesch, 2016), which is critical for understanding international organizational and entrepreneurial behavior (Szyliowicz & Galvin, 2010).

### **2.1 Born Global theory of accelerated internationalization**

Born Global theory of accelerated internationalization emerged in the early 1990s as a response to the dynamic nature of newly internationalizing firms and is perceived to be distinct from the traditional patterns of firm internationalization (Oviatt & McDougall, 1994). Not all firms internationalize according to traditional internationalization models where the organization develops gradually from domestic firms to multinational enterprises (Oviatt & McDougall, 1994). Some firms start to operate in international markets rapidly, and so their internationalization is accelerated (Gabrielsson, et al., 2008). These firms that aim at international markets or even the global market right from their birth or soon after are called Born Globals (Madsen & Servais, 1997; Knight & Cavusgil, 1996; Weerawardena, et al., 2007; Gabrielsson, et al., 2008). Accelerated internationalization refers to the effectiveness and speed of internationalization, often meaning the skipping of some stages from traditional internationalization process models (Knight & Cavusgil, 1996; Gabrielsson, et al., 2008). The term Born Global is adapted, following the attempt of Madsen & Servais (1997), Weerawardena's, et al. (2007) and Gabrielsson's, et al.

(2008) to reach generally accepted definition of the phenomenon to be studied. In notion, the term illegal international business is utilized in this study from these illegal businesses which meet the description of Born Globals, to assess some broader contextual observations.

The study of Born Globals is part of the international entrepreneurship domain that draws on international business and entrepreneurship theories, and suggests the existence of some new ventures, Born Globals, which aim to international or global markets soon after establishment, and therefore differ significantly from businesses that become international in scope overtime as they accumulate resources or competencies to go global (Oviatt & McDougall, 1994; Zahra & George, 2002; Shane & Venkataraman, 2000). The defining characteristic of a Born Global is its accelerated internationalization (Weerawardena, et al., 2007). Oviatt & McDougall (1994) define Born Globals, calling them international new ventures (INVs) in their study, as firms that seek to derive significant competitive advantage from cross-border transactions in multiple countries or at global marketplace.

These firms go international at the early stages of formation (Madsen & Servais, 1997). They start out with a proactive international strategy, even if the resources are scarce (Weerawardena, et al., 2007). Moreover, Born Globals are small and medium-size enterprises (SMEs) with a global market vision and the potential for accelerated internationalization (Gabrielsson, et al., 2008; Knight & Liesch, 2016). In addition, the existence of Born Global type of firms is not new and do not consider only young ventures, but also established companies (Zahra & George, 2002). Besides, Zahra & Garvis (2000) argue that companies of different age and size often engage in entrepreneurial activities as they venture into international or global markets.

Based on the previous literature, as highlighted in the Rialp's, et al. (2005) study, the phenomenon of accelerated internationalization of Born Globals can be attributed to three important factors: new market conditions, technological developments, and more elaborate capabilities of people. New market conditions refer for example to the increasing specialization and hence the number of niche markets seen (Rialp, et al., 2005). Consequently, when the domestic demand is too small, firms must seek customers globally. Also, many industries are characterized by global sourcing

activities and network relationships across borders (Loane & Bell, 2006). Other reasons are that the needs and wants of buyers are becoming more homogenous, and that the financial markets have become international, latter meaning that the financial sources can be acquired easier all over the world (Madsen & Servais, 1997). The new market conditions pull the firms into international markets very fast. The second factor, the technological developments encompass in the areas of production, transportation and communication (Rialp, et al., 2005). These developments have made world markets more reachable, economically less costly and more profitable (Madsen & Servais, 1997). Also, it enables “day-to-day business” world widely. And finally, the last main factor is the more elaborate capabilities of people, including the entrepreneur who starts the Born Global firm (Rialp, et al., 2005). This third factor relates basically to the fact that increasingly people have gained international experience during recent years (Madsen & Servais, 1997). And in notion, all these three factors are interrelated.

In central of Born Global phenomenon is the concept of innovativeness and risk-taking (Zahra & George, 2002). Meaning that these entrepreneurial firms know that their advantage lie in continuous innovation and the successful Born Globals exhibit broad entrepreneurial scope in the selected key country markets, with high intensity of focus and rapid growth (Gabrielsson, et al., 2008). As the resources of the Born Globals are scarce, and the vision global, it must be more effective and to have higher implementation capability then firms with slower internationalization phase to achieve speed and to perform in global markets (Weerawardena, et al., 2007). These all central concepts are traditionally seen to oppose the classical international business theories, which suggest that only firms with larger resources can make bigger investments in internationalization, homogenous and stable markets allow rapid learning, and that firms with significant experience of similar markets may then generalize this knowledge (Oviatt & McDougall, 1994).

The existence of Born Globals is not limited to certain industry, like high technology industries, but rather these firms may come from any industry, and market very diverse product lines (Madsen & Servais, 1997). The business model for Born Globals may also differ: some sell standardized products or services through rather usual way, while others customize their offer through highly specialized networks,



but in center is the combination of innovative, proactive, and risk-seeking behavior to create value (McDougall & Oviatt, 2000). Born Globals are more specialized and niche oriented with products that are either more custom-made or more standardized than other, “not Born Globals”, firms, meaning that they must obtain distinct differentiation strategy (Gabrielsson, et al., 2008). In general, a typical Born Global firm operates close to its customers, is flexible and able to adapt its products to quickly changing needs and wants (Madsen & Servais, 1997). The Born Globals starts out with a proactive international strategy, even if the resources are scarce. Gabrielsson, et al. (2008) propose that in initial phase most important for Born Globals is to search for the right channel for rapid growth. What is right channel then depends on the specific characteristics of their organization and its founder, the product or service and innovation, and the networking approach. The lack of resources is the key difference between established firms and start-up firms and the reason for characteristic complex governance structure of activities of the Born Globals (Madsen & Servais, 1997). Also, often these firms govern their activities through a specialized network in which they seek partners who complement their own competences (Loane & Bell, 2006).

When discussing about the Born Global theory, which is part of the international entrepreneurship research domain, the concept of entrepreneurship needs to be opened. According to Shane & Venkataraman (2000) the study entrepreneurship, is the “examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (p. 218). Furthermore, International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities across domestic borders for goods and services in the pursuit of competitive advantage (Oviatt & McDougall, 2005; Shane & Venkataraman, 2000). Also, Oviatt & McDougall (2005) agree that the main idea of entrepreneurship is the opportunities, and individuals who identify and take advantage of them. It is highlighted by Madsen & Servais (1997) that previous international experience is a necessary condition for international expansion of Born Globals, and this entrepreneur’s experience often realizes in an international social network and creates the motivation and ambition to become international shortly after inception. Moreover, it is not just the previous international experience transferred into international skills such as market knowledge, personal networking

of the entrepreneur, or international contacts and experience transmitted from former occupation, relations and education, but also entrepreneur's personal perceptions, like risk-taking ability (Weerawardena, et al., 2007). The entrepreneur views the world as its marketplace right from the birth of the company, and so has a global vision (Madsen & Servais, 1997; Gabrielsson, et al., 2008).

The international growth of a Born Globals is positively associated with innovativeness, ability to recognize and capture advantages from the new communication technologies, and to do so in a close collaboration with international relationships, that involve frequent, intense, and integrated efforts across nations (McDougall & Oviatt, 2000). These previously mentioned are necessities for a Born Global to survive and earn economic gains (Madsen & Servais, 1997). In addition, relying on sourcing option from other firms with complementary competences is common for Born Globals as the internal competence and routines are insufficient to achieve the desired development (Weerawardena, et al., 2007). Sourcing occurs by employing persons with specialized skills, or it may happen in different forms of collaboration with hybrid governance structures, especially in the distribution channels (Madsen & Servais, 1997). These hybrid governance structures may involve close relationships, networks partners, joint ventures, and so on (Gabrielsson, et al., 2008). Also, it seems that nations with a high number of immigrants may have a higher proportion of Born Globals (Madsen & Servais, 1997).

To understand the influencing factors of acceleration of the internationalization, Oviatt & McDougall (2005) present a model that describes four types of influential forces: enabling, motivating, mediating, and moderating. The enabling force makes accelerated internationalization feasible, and is mainly related to external factors like faster, less costly, and more efficient transportation and communication. Overall, meaning the technological developments that enable the speed. The second force refers to motivating force of competition. The fear of becoming overruled by competitors, guides the risk-taking behavior of entrepreneurs to take preemptive advantage in global level. The mediating force refers to the entrepreneurial actor, which is the person or group that identifies an opportunity. This actor is central to the dynamics of international exploitation, as the personal characteristic, such as previous experience and risk-taking propensity, affect the lenses through which the

entrepreneurs observe and interpret the potential of opportunity, and the actions which follow the process of enacting according to the opportunity. The fourth force, which is the moderating force, is divided in to two types in the model: knowledge-intensity and international network. The moderating forces boost the Born Globals ability to seize the entrepreneurial opportunity. The entrepreneur will acquire valuable knowledge or resources, including networks, to internationalize rapidly and overcome the observed “gaps” (Weerawardena, et al., 2007). In addition, the acquisition, exploitation and renewal of knowledge is a key driver of rapid internationalization and the main source of international competitive advantage (Loane & Bell, 2006).

Furthermore, the importance of networks in internationalization is widely recognized in the extant literature (Loane & Bell, 2006; Oviatt & McDougall, 2005; Johanson & Vahlne, 2009; Coviello & Munro, 1995). Networks play important role in improving firms’ international capabilities and competitiveness (Loane & Bell, 2006). Indeed, the internationalization processes of smaller firms are driven by the networks they develop (Coviello & Munro, 1995). According to Johanson & Mattsson (1988), the networks are stable and changing. Usually, the business transactions occur within established networks but occasionally some new networks are being established or old are disrupted form some reason. Within these networks can be identified relationship ties of different strenght, strong and weak. Generally, the “strong ties”, the interactions at personal level, meaning the family and close friends, are separated from the “weak ties”, the interactions in an organizational level, such as acquaintances, business contacts, etc. Furthermore, “strong ties” do not supply the diversity of knowledge provided by relationships with “weak ties” (Granovetter, 1973). Granovetter (1973) highlight the importance of “weak ties” in internationalization networks and further argues that the routines developed from diverse market experiences are helpful in developing network in the early stages of a new international expansion. Indeed such “weak ties” often act as bridges to other network resources for the firms, and most importantly are needed in search for novel ideas (Loane & Bell, 2006; Granovetter, 1973). Also, Rauch & Trindade (2002) highlight the role of social networks with emphasize on the co-ethnic networks which are for example the formal or informal associations of ethnic groups living outside their country. However, networks play more role in a way to overcome

resource deficiencies rather than being the actual drivers of internationalization (Loane & Bell, 2006).

The attempts to understand the accelerated internationalization have mainly concentrated on the application of various theoretical perspectives to explain the phenomenon of successful entrepreneurial activities internationally by refuting the applicability of traditional frameworks of internationalization of international businesses (Zahra & George, 2002). For example, in their early examinations Oviatt and McDougall (1994), went as far as stating that traditional international business theories may not be applicable to Born Globals, because the traditional theories have several assumptions about the nature of the market or the sources of competitive advantages which are to be derived within certain market structures. And so, the Born Global bases its ground in the empirical evidence that not all firms internationalize according to the stages models and so is opposed to traditional internationalization models where the organization develops gradually from domestic firms to multinational enterprises (Oviatt & McDougall, 1994). However, the prior international entrepreneurship scholars have observed theoretical links between entrepreneurship and international business research, and see fruitful opportunities in the integration of these perspectives (McDougall & Oviatt, 2000; Zahra & George, 2002; Knight & Liesch, 2016). According to Oviatt & McDougall (2005) more combined discussion allows to face some critics that international entrepreneurship lacks knowledge of international business theories and research, and vice versa. Considering all previous and to be able to develop more realistic and comprehensive framework for interpreting the external mechanisms influencing acceleration of internationalization, this study draws from international business research stream, as can be seen in the next part, where institutional theory is discussed (Zahra & George, 2002; Bruton, et al., 2010; Szyliowicz & Galvin, 2010).

## **2.2 Drawing from institutional theory of internationalization**

It has increasingly become clear that issues such as culture, legal environment, tradition and history in an industry and economic incentives all has impact on organizations and their accelerated internationalization behavior (Zahra & George, 2002; Zucker, 1987). The role of the external environment is critical for

understanding international entrepreneurial behavior (Szyliowicz & Galvin, 2010). Institutional theory perspective provides useful tool to identify and examine these issues by providing approach for assessing and understanding the role of the external environment and how it influences organizations behavior (Bruton, et al., 2010; Szyliowicz & Galvin, 2010). Institutional theory, in relations to international businesses, studies the impact of broader social structures and constructions on the development of firms and markets cross international contexts (Szyliowicz & Galvin, 2010). It examines the role of the external environment, which effects on entry mode choices, in market selection, and in international entrepreneurial behavior (Welter & Smallbone, 2011). Moreover, institutional theory gives a framework to explore organization's relations with its environment (DiMaggio & Powell, 1983).

The primary focus of institutional theory has been upon institutions as structures, meaning rules, and regulations to customs and traditions (Bruton, et al., 2010). These structures are socially constructed and have attained a high degree of resilience, and that these institutions together with associated activities and resources provide stability and meaning to social life, but as well create order and reduce uncertainty in exchange (Scott, 2008). Typically, these structures are divided into formal and informal structures (Bruton, et al., 2010). Formal meaning the constitutions, laws, property rights; and informal, the sanctions, taboos, customs, traditions, and codes of conduct (Granovetter, 1973). These structures can be also divided according to three-pillar conception where these pillars of institutional structures and processes are regulative, normative, and cognitive (Scott, 1995 (2014); Scott, 2008). Regulative elements emphasize rule-setting, monitoring, and sanctioning activities. Normative elements present obligatory, prescriptive and evaluative dimension into social life. And cultural-cognitive elements highlight the shared conceptions of meaning that is constructed by the nature of social reality. (Scott, 2008).

Institutions aim to support cooperation of wealth-maximizing individuals and firms, and so are demanding that the play has rules and the play can be repeated, and that there is information about the other player's past performance (Scott, 2008). This institutional pressure leads to bureaucratization of economic activities and homogenization of economic actors and activities (DiMaggio & Powell, 1983). It also leads to formation of specific organization fields such as industries or

ecosystems, or recognized set of suppliers, customers, regulatory agencies and other organizations producing similar or related services or products. Then, new entrants need to fit to the organizational field (Aldrich & Fiol, 1994).

The roots of institution based view relies in economics (North, 1991), sociology (Scott, 1995 (2014)), and in organization theory (DiMaggio & Powell, 1983). The economic view sees that organizations that come into existence reflects the opportunities provided by the institutional framework, and gradually the choices these organizations and individuals are making daily in their exchanges will alter the institutions (North, 1991). Organizational theory of institutions studies the institutionalization effect of organizations caused by external environment, mostly meaning that because of institutional pressures organizations become increasingly similar (Zucker, 1987). The sociological view of institutions traditionally studied the exogenous patterns in which persons and groups are embedded, but now is more focused on studying the tension between actor and institutions (Meyer, 2010). Generally, institutional theory can be divided in two broad formulation, one derived from sociology and organizational theory, and the other from political science and economics (Bruton, et al., 2010). While there is common ground in the streams of the theory, differences exist as well. The main difference lies in that the economic/political stream focuses on governance structures or rule systems constructed by individuals as the key driving force, meaning that decision makers are influenced by formal incentives and governance systems, whereas the sociology/organizational theory version of institutional theory focuses on the ways in which institutional elements coming from external environment complicate and constitute the paths influencing the organization behavior causing change in organization (Bruton, et al., 2010; North, 1991; Zucker, 1987; Meyer, 2010). Here, as the interest point is to study the influence of external environments on firm's behavior and what causes the accelerated path to internationalize, the discussion is concentrated on the sociology/organization stream of institutional theory (Meyer, 2010; Bruton, et al., 2010; Welter & Smallbone, 2011; Zucker, 1987).

A key tenet in the sociological/organizational stream is that organizational isomorphism increases organizational legitimacy, which is defined as a generalized perception or assumption that the actions of an entity are desirable, proper or

appropriate within some socially constructed system of norm, values, beliefs and definitions (Suchman, 1995). DiMaggio & Powell (1983) defined three types of mechanisms towards institutional isomorphism: coercive, mimetic and normative. Coercive isomorphism is a result from both formal and informal pressures which are then strive on organizations by network relationships, competitors, and by cultural expectations in the society within organizations' operation environment. Such pressures may be felt as persuasive or invitation force or in some cases organizational change is a direct response to government mandate, latter meaning that change in regulation results directly in organizational change. Furthermore, the existence of a common legal environment affects many aspects of an organization's behavior and structure.

The mimetic mechanism towards institutional isomorphism according to DiMaggio & Powell (1983), derives from powerful force that encourages imitation. This assumpts especially that when the goals of the organization are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations. This modeling, as DiMaggio & Powell (1983) use the term, is response to uncertainty. The third mechanich of isomorphic organizational change are the normative pressures, which arrise form the collective struggle of members of a certain profession. This professionalization includes two aspects, that are formal education and the network relationships within the members of same or similar profession.

According to Welter & Smallbone (2011) there is growing recognition that entrepreneurial behavior needs to be interpreted in the context in which occurs, meaning the institutional context that is composed of external factors of the environment in which the entrepreneur operates. The external factors are such as, economic, political, and cultural factors. Consequently, the institutional context has an impact on the nature, pace of internationalization, entrepreneurial opportunities, and entrepreneurs behavior (Welter & Smallbone, 2011). For example, instutions can form barriers which may prevent the development of entrepreneurial firms within the country or hamper the inbound or outbound internationalization (Shirokova & McDougall-Covin, 2012). The institutional theory offers several unique insights into relations between organizations and their environment, and the ways in which

organizations react to institutional processes (DiMaggio & Powell, 1983). For example, Born Globals operate often in emerging markets which lack adequate legal regulation, and sometimes stable political environments. Facing the uncertainty and hostility of the institutional environment, the entrepreneurs start to rely more on their social network than official constructs (Shirokova & McDougall-Covin, 2012).

Firm's existence and competitive advantage is strongly affected by its institutional environment (Bresser & Millonig, 2003). Viewing of environment as institution, institutional elements come from outside the organization, and then these elements cause change in organizations (Zucker, 1987). When responding to these external pressures, firms protect themselves, thus reducing their efficiency, meaning that firms become institutionalized (Bruton, et al., 2010). To this Huang et al. (2017) view of institutional capability is interesting as it suggest that some firms have developed skill to resist the efficiency reducing reaction to change, and instead being able to accelerate efficiency. Also Meyer (2010) discuss the concept of actorhood, which means in his words the enhanced standing of the entities involved and their empowered comprehension of the environment they act in or are about to act in. Furthermore, this means that in the global world the organizations are purposive actors, with an entrepreneurial function in a changing environment that demand choice, innovation, network relationships, and involvement in lifelong learning (Meyer, 2010).

So, some organizations are able to reduce or avoid interpenetration by the institutional environment by subverting their precarious goals and making them more publically accepted, they may seek legitimation of their activities through active control or shaping of the institutional environment, and by organization's exercised power for continuing control over its boundaries to prevent environmental penetration (Zucker, 1987). In their study Huang, et al. (2017) discuss this concept as institutional capability of the firm and external environment effect on it. They define institutional capability as *firms' ability of establishing relationships with institution actors, adapting to institutional contexts, changing existing institutions or creating new ones to gain potential interests* (pp. 255). For example, according to them this has dual-effect: weaker host-country institutional environment have weaker constraint effect on a firms which obtains strong institutional capability, and in the



other hand, more developed host-country have a stronger incentive effect to acceleration of internationalization of the firm obtaining weaker institutional capability. Meaning that if the firm obtain institutional capability it is stronger to resist negative effect from external environment, and in the other hand, if the firms institutional capability is weak, the external institutional environment can be moderater to the firm, boosting its capability to internationalize accelerated. So, firm's internal abilities work as mediator to external forces. (Huang, et al., 2017).

Weak home-country institutional environment can be beneficial for the Born Global firm as it aids developping institutional capability (Huang, et al., 2017). This is because, in order to survive in limited or hostile institutional basis, small firms must develop flexible behavior habits for survival (Bangara, et al., 2012). This means that to gain institutional legitimacy and to enhance survival, Born Globals have to modify their structures, procedures and routines, and learnto adapt (DiMaggio & Powell, 1983; Huang, et al., 2017; Schwens & Kabst, 2009). Relational network aid Born Globals in weak institutional environment to gain experience and support, and this shared knowledge helps to form routines of how to build, keep and utilize institutional connections (Cantwell, et al., 2010; Henisz & Zelner, 2005).

There are different ways institutional environment influences organization's behavior, as has been discussed previously in this chapter. Most interesting perspectives in relation with this study are the push and pull forces rising from the institutional environment. Moreover, as the purpose of this study is to gain better understanding on the influencing factors of acceleration of internationalization, the institutional theory is applied from the parts explaining the influencing mechanisms of institutional environment on the acceleration of internationalization of Born Globals.

### **2.3 Theoretical summary and theoretical framework: Influencing factors of the acceleration of internationalization**

Accelerated internationalization refers to the effectiveness and speed of internationalization (Gabrielsson, et al., 2008). The phenomenon of accelerated internationalization is closely related to firms called Born Globals, that are small and

medium-size enterprises (SMEs) with a global market vision and the potential for accelerated internationalization (Gabrielsson, et al., 2008; Knight & Liesch, 2016). Therefore, this research discusses the phenomenon of acceleration of internationalization through Born Global theory. The theoretical discussion draws also from institutional theory to enrich the ability to discuss the findings from the parts related to the external environment (McDougall & Oviatt, 2000; Zahra & George, 2002; Knight & Liesch, 2016).

Born Globals start out with a proactive international strategy, even if the resources are scarce (Weerawardena, et al., 2007). There are various factors enabling accelerated internationalization of smaller firms. For example, new market conditions pull the firms into international markets very fast. (Rialp, et al., 2005). Also, many industries are characterized by global sourcing activities and network relationships across borders (Loane & Bell, 2006). Other reasons are that the needs and wants of buyers are becoming more homogenous, and that the financial markets have become international, latter meaning that the financial sources can be acquired easier all over the world (Madsen & Servais, 1997). In addition, the technological developments encompass in the areas of production, transportation and communication (Rialp, et al., 2005). These developments have made world markets more reachable, economically less costly and more profitable (Madsen & Servais, 1997). Also, it enables faster communication world widely. And finally, the last main factor is the more elaborate capabilities of people, meaning that increasingly people have gained international experience during recent years (Madsen & Servais, 1997) including the entrepreneur who starts the Born Global firm (Rialp, et al., 2005).

To understand the influencing factors of acceleration of the internationalization, Oviatt & McDougall (2005) present a model that describes four types of influential forces: enabling, motivating, mediating, and moderating. The model begins with opportunity, then presents influencing factors leading to acceleration of internationalization. Main idea behind accelerated internationalization the opportunity, and actors who identify and are able to take advantage of them (Oviatt & McDougall, 2005). The enabling force makes accelerated internationalization feasible, and is mainly related to the technological developments that enable the speed. The second force is motivating force of competition, guiding the risk-taking

behavior of entrepreneurs to seek competitive advantage in global level. The mediating force is the entrepreneurial actor, which is the person or group and is central to the dynamics of international exploitation, as the personal characteristic affect the lenses through which the entrepreneurs observe, interpret and act the potential opportunity. The fourth moderating force is divided in to two types in the model: knowledge-intensity and international network. The moderating forces boost the Born Globals ability to seize the entrepreneurial opportunity.

In central of accelerated internationalization is the combination of innovative, proactive, and risk-seeking behavior to create value (Zahra & George, 2002) (McDougall & Oviatt, 2000). Meaning that these entrepreneurial firms know that their advantage lie in continuous innovation and the successful Born Globals exhibit broad entrepreneurial scope in the selected key country markets, with high intensity of focus and rapid growth (Gabrielsson, et al., 2008). As the resources of the Born Globals are scarce, and the vision global, it must be more effective and to have higher implementation capability then firms with slower internationalization phase to achieve speed and to perform in global markets (Weerawardena, et al., 2007). In addition, relying on sourcing option from other firms with complementary competences is common for Born Globals as the internal competence and routines are insufficient to achieve the desired development (Weerawardena, et al., 2007). Sourcing occurs by employing persons with specialized skills, or it may happen in different forms of collaboration with hybrid governance structures, especially in the distribution channels (Madsen & Servais, 1997). Gabrielsson, et al. (2008) propose that in initial phase most important for Born Globals is to search for the right channel for rapid growth. What is right channel then depends on the specific characteristics of their organization and its founder, the product or service and innovation, and the networking approach.

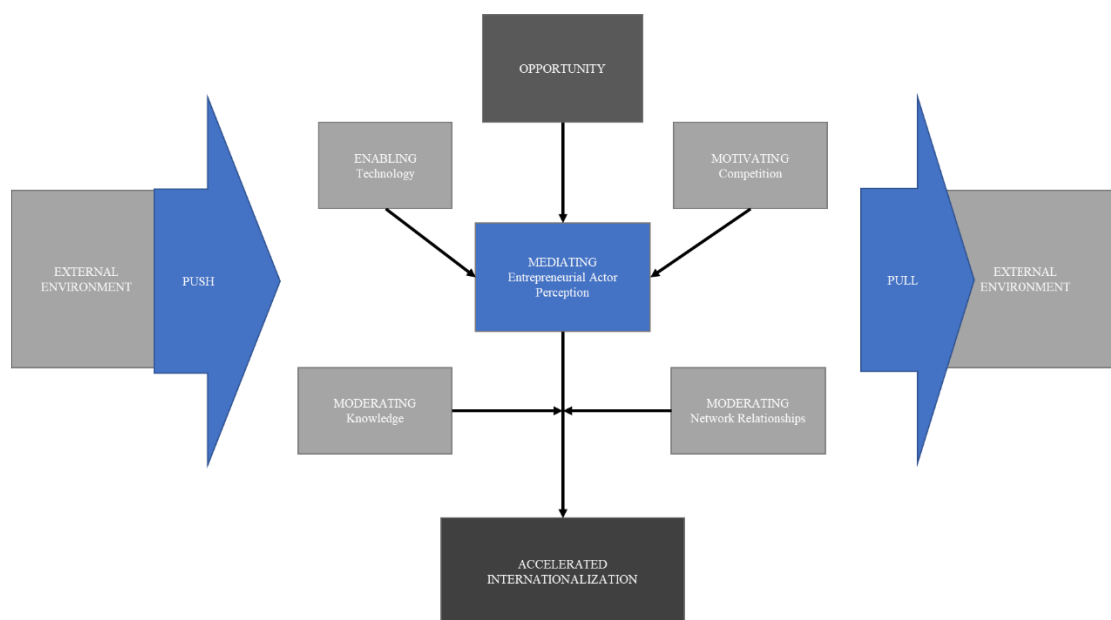
To original model by Oviatt & McDougall (2005), the external environment factors are added. This is because the purpose of this study is to gain better understanding on the influencing factors of acceleration of internationalization. And so, to be able to develop more realistic and comprehensive framework for interpreting the findings related to elements from external environment, the institutional theory is applied from the parts explaining the influencing mechanisms of institutional environment on

the acceleration of internationalization of Born Globals (Zahra & George, 2002; Bruton, et al., 2010; Szyliowicz & Galvin, 2010; McDougall & Oviatt, 2000; Oviatt & McDougall, 2005; Knight & Liesch, 2016). The institutional theory offers several unique insights into relations between organizations and their environment, and the ways in which organizations react to institutional pressures (DiMaggio & Powell, 1983). There are different ways institutional environment influences organization's behavior. For example the efforts to achieve legitimacy and stability to uncertainty, the pressures drives organizations to homogenize, meaning institutional isomorphis (DiMaggio & Powell, 1983; Suchman, 1995). DiMaggio & Powell (1983) defined three types of mechanisms towards institutional isomorphism: coercive, which is a result from both formal and informal pressures; mimetic, which derives from powerful force that encourages imitation; and normative, which arise from the collective struggle of members of a certain profession. Also, institutions can form barriers which may prevent the development of entrepreneurial firms within the country or hamper the inbound or outbound internationalization (Shirokova & McDougall-Covin, 2012).

When responding to these external pressures, firms protect themselves, thus reducing their efficiency, meaning that firms become institutionalized (Bruton, et al., 2010). Consequently, the institutional context has an impact on the nature, pace of internationalization, entrepreneurial opportunities, and entrepreneurs behavior (Welter & Smallbone, 2011). Facing the uncertainty and hostility of the institutional environment, the entrepreneurs start to rely more on their social network than official constructs (Shirokova & McDougall-Covin, 2012). Some organizations are able to developed skill to resist the efficiency reducing reaction to change, and so being able to accelerate efficiency (Zucker, 1987; Huang, et al., 2017). This is because, in order to survive in limited or hostile institutional basis, small firms must develop flexible behavior habits for survival (Bangara, et al., 2012). This means that to gain institutional legitimacy and to enhance survival, Born Globals have to modify their structures, procedures and routines, and learn to adapt (DiMaggio & Powell, 1983; Huang, et al., 2017; Schwens & Kabst, 2009). Also Meyer (2010) discuss the concept of actorhood, which means in his words the enhanced standing of the entities involved and their empowered comprehension of the environment they act in or are about to act in. Furthermore, this means that in the global world the organizations are

purposive actors, with an entrepreneurial function in a changing environment that demand choice, innovation, network relationships, and involment in lifelong learning (Meyer, 2010).

These external environments are interpreted as push and pull forces which accelerate internationalization. Well-developed home-country institutional environments can promote accelerated internationalization behavior, while under-developed host-country institutional environment will hamper it (Huang, et al., 2017). Then again, well-developed institutional environments in home-country moderate the inhibitory effect of failure in host-country institutional environment, and weak or even hostile institutional environment in a home-country can function as push mechanism promoting accelerated internationalization (Huang, et al., 2017). Controversaly, external environment can pull organizations towards itself. For example countries with high-quality institutional environment attract businesses from other countries because high levels of institutional development often offer better regulatory protection for the intellectual property, have well-developed legal systems, and credit financial markets (Huang, et al., 2017)



**Figure 1. Theoretical framework**



### **3 RESEARCH DESIGN**

This exploratory research is qualitative in its nature. This choice means that the attempt is to interpret phenomenon in terms of meanings people bring to them, involving an interpretive naturalistic approach to the world (Denzin & Lincoln, 2011, p. 3). Accordingly, this research seeks answer to question that how the influencing factors of acceleration of internationalization are affected by the contextual characteristics of illegal businesses, related in explaining creation of social experience and meaning given to it. In this chapter the basic belief system is elaborated by basing the discussion on philosophical and methodological assumptions (Guba & Lincoln, 1994). After arguing the philosophical stand of this study, the discussion will turn to the methodological choices, where the research method, the data collection process and analysis are addressed. In short, this research is critical realistic in its philosophical nature, its' method is qualitative, and an abductive approach is used to analyze and interpret the data. This framework has been created to seek answer to research question.

#### **3.1 Research philosophy**

Research philosophy is linked to the view of how the nature of reality (the ontological question) and knowledge (the epistemological question) are understood in this study (Wilson, 2014, pp. 8 - 11; Hirsijärvi, et al., 1997, p. 124; Guba & Lincoln, 1994). In other words, ontology concerns the ideas about what is there in the world and what is the relationship between people, society and the world in general (Eriksson & Kovalainen, 2008). Ontological question is closely related to epistemological question, which is the belief about the relationship between the inquirer and the knowledge (Denzin & Lincoln, 2011, p. 12).

For this study, I have chosen critical realism, that locates causal relationships at the level of the generative mechanisms meaning that the object of research has real and manipulative mechanisms that can be actualized to produce particular outcomes (Fletcher, 2017). According to critical realistic approach to understanding, the reality is observable and independent of human consciousness, but the knowledge is socially constructed (Denzin & Lincoln, 2011, p. 11). This means that there is world

independent of us, but how we interpret and develop knowledge of this world is dependent of the personal biographies (Johnson & Duberley, 2000; Denzin & Lincoln, 2011, p. 11 & 19).

### **3.2 Research methodology**

Methodology refers to describing how the research problem can be studied, by providing the procedure for guiding the research process (Eriksson & Kovalainen, 2008). In the quest for understanding the influencing factors of acceleration of internationalizations by applying illegal context to the phenomenon in its natural settings and to create understanding in terms of meanings people bring to them, the method of this research is qualitative (Denzin & Lincoln, 2011, p. 3). Qualitative data provide a richer description of the phenomena of interest than a quantitative data would bring (Nishishiba, et al., 2014, p. 284). Qualitative data is information that is captured by words or text and is used to describe and identify qualities of observed phenomenon (Nishishiba, et al., 2014, p. 91). Furthermore, this study considers itself as an exploratory research, because objective is to look for generalizable mechanisms in an unexplored context (Stebbins, 2001, p. 9). The research process of this exploratory journey consists of continuous cycles of research and reflection between research data and existing literature, and therefore abductive approach is chosen for this study (Shank, 2008).

To find answers to the research question “*How the influencing factors of acceleration of internationalization are affected by the contextual characteristics of illegal businesses?*”, first is important to find sufficient knowledge about the features and functions of legal international businesses. This will be done by familiarizing with existing theories of international entrepreneurship, international business and internationalization. Before selecting any specific theoretical background, data on illegal businesses will be gathered. The data will be gathered from expert interviews, special reports and elaborated with some academic researches specialized in illegal businesses in international context. After data collection, it is important to familiarize with the research data, so the theoretical stream could be chosen, and theoretical framework developed. Then the theoretical



framework and research data will be actively compared together, to identify patterns (Shank, 2008).

### 3.2.1 Data collection process

The data consist primary and secondary data. The primary data consist of subjective data collected by semi-structured interviews from 10 participants during 8 interview sessions from attendants selected using the purposive sampling (Nishishiba, et al., 2014, pp. 101 - 106). The semi-structured interviews were based on predefined questions and related issues (Tuomi & Sarajärvi, 2009, pp. 72 - 73). The semi-structured interviews were chosen as a research method for this study, because there is no well-known existing theory which could predict the answers of the interviewees (Hirsijärvi, et al., 1997, p. 201). The semi-structured thematic interview also provides better material for understanding the phenomenon than closed question interviews because it is possible to narrate and interpret individualized experiences into account (Hirsijärvi, et al., 1997, pp. 204 - 205; Tavory & Timmermans, 2014, p. 21). The secondary data consist of seven reports. The role of the secondary data is supportive to the primary data (Nishishiba, et al., 2014, p. 91). Overall the data collection process of this study resembled the jigsaw puzzle assembly.

As stated in the first sections of this chapter, the interviews used in this study were semi-structured expert interviews (Hirsijärvi & Hurme, 2001, pp. 32 - 53). Expert interviews allow to gain information from specialists in the field that the researcher is less qualified or knowledgeable in (Kolb, 2008). The experts of illegal context from legal “side” were chosen because it was noticed during this study that it was not possible to get in contact with the primary research subject, meaning the international illegal businesses and their entrepreneurs. To explore the phenomenon open-mindedly, broad range questions were asked from the interviewees (Wengraf, 2001, pp. 191 - 206).

The interviews lasted approximately from 40 minutes to an hour. This choice was made based on the number of themes to be discussed and to allow the interviewees the convenience of a short interview that they could also accept during their working time. The interviewees were first contacted by phone call, followed by e-mail,

explaining briefly about the topic and purpose of the research. The interviews were conducted differently due to busy schedule of the interviewees and because the researcher was in the other country during some of the interviews. Four of the interviews were conducted face to face, two were done by e-mail, one in phone, and one in Skype. The interviews were done in Finnish and English depending on the interviewee. All Finnish speaking interviewees were interviewed in Finnish language to provide a change to express themselves with as much ease as possible. Therefore, six interviews were conducted in Finnish language and two in English. To increase the effective use of time, letting the interviewer fully focus on what the interviewees are saying instead of note-taking and to allow for exact processing, all the interviews were taped with the permission of the interviewees (Kolb, 2008). The interviews have been transcribed by the author. In this study, only the parts that are used for quotations, paraphrases or data analysis are presented with English translations in the text of the interviews conducted in Finnish language.

The number of the interviews was not decided in the beginning, but in contrast interviews were carried out until the saturation of new knowledge (Hirsijärvi & Hurme, 2001, pp. 32 - 53). These selected experts have first-hand experience in dealing with illegal business activities. Three of them are working for the Police (Swedish, Finnish and Polish Police), one for Finnish customs, one to the Finnish National Border Control, two for Finnish Tax Office, two for Finnish Center for Pension Insurances, and one investigative journalist. All in all, nine out of ten interviewees are working for law enforcement institutions, but the represented institutions vary because after first two interviews it became clear that the illegal business field is wide, and each institution deals with a narrow, specific area on it. So, the spectrum of interviewees is wide to have a better overview and overall understanding of the illegal context. The two foreign police officers were selected as interviewees to see if there are some differences between other Scandinavian countries and with the culturally different eastern European country. The investigative journalist was chosen to check the influence of official position to the knowledge of illegal context, but as there was not noticeable difference, in this explorative study no more interviewees with divergent backgrounds were chosen.

**Table 1. Primary source of data**

	<b>Representation</b>	<b>Date of the interview</b>	<b>Durance of the interview</b>	<b>The interview platform</b>
<b>Interviewee 1</b>	The Finnish Border Guard	July 18 <sup>th</sup> 2017	59:34	Face-to-face
<b>Interviewee 2</b>	The Finnish Customs	July 20 <sup>th</sup> 2017	33:49	Phone
<b>Interviewee 3</b>	The Polish Police	July 27 <sup>th</sup> 2017	45:11	Skype
<b>Interviewee 4</b>	Intelligence unit in Norrbotten, Sweden	August 18 <sup>th</sup> 2017	42:49	Face-to-Face
<b>Interviewee 5</b>	Investigative journalist	August 28 <sup>th</sup> 2017	47:52	Face-to-face
<b>Interviewee 6 &amp; 7</b>	The Finnish Center for Pensions	August 29 <sup>th</sup> 2017	1:00:02	Face-to-face
<b>Interviewees 8 &amp; 9</b>	Finnish Tax Office	September 14 <sup>th</sup> 2017	-	E-mail
<b>Interviewee 10</b>	National Bureau of Investigation	October 13 <sup>th</sup> 2017	-	E-mail

Here below in the table 2. is presented the secondary data selected to this study. The role of the secondary data is supportive to the primary data (Nishishiba, et al., 2014, pp. 109 - 110). The secondary data consists of reports from EU level and Finnish national level. First two are final reports from European Union supported projects: a

pilot project ARIEL (Assessing the Risk of the Infiltration of Organized Crime in EU MSs Legitimate Economies), and project OCP (Organised Crime Portfolio). The following reports are snapshots (years 2013-2015) of crime against businesses and criminal exploitation of businesses by Confederation of Finnish Industries, and the thematic review on same issue by National Bureau of investigation for spring 2013 and spring 2014.

**Table 2. Secondary source of data**

	<b>Document type</b>	<b>Year</b>	<b>Author(s)</b>	<b>Publisher</b>
<b>Document 1</b>	Final report of Project ARIEL (Assessing the Risk of the Infiltration of Organized Crime in EU MSs Legitimate Economies: A Pilot Project in 5 EU Countries) ( <a href="http://www.arielproject.eu">www.arielproject.eu</a> )	2015	Ernesto U. Savona and Giulia Berlusconi (Eds.)	Trento: Transcrime – Università degli Studi di Trento. © 2015
<b>Document 2</b>	Final Report of Project OCP – Organised Crime Portfolio ( <a href="http://www.ocportfolio.eu">www.ocportfolio.eu</a> )	2015	Savona Ernesto U. & Riccardi Michele (Eds.)	Trento: Transcrime – Università degli Studi di Trento. © 2015
<b>Document 3</b>	Snapshot, Fall	2013	National Cooperation Group for Enterprise Security	Confederation of Finnish Industries
<b>Document 4</b>	Thematic review, Spring	2013	Intelligence Department	National Bureau of Investigation
<b>Document 5</b>	Snapshot, Spring	2014	National Cooperation Group for Enterprise Security	Confederation of Finnish Industries
<b>Document 6</b>	Snapshot, Spring	2015	National Cooperation Group for Enterprise Security	Confederation of Finnish Industries

### 3.2.2 Data analysis

First the data was transcribed relatively accurately (Nishishiba, et al., 2014, p. 286). This means that all the interviewees saying, pauses, words and sentences were written down. However, the interviewees different speech styles or sound was not taken into acknowledge. This level of transcription accuracy was chosen because to

this study, only the interviewees' perceptions about the topic in question was relative. (Hirsijärvi, et al., 2007, pp. 216 - 217)

As the context of the study, illegal international businesses are little researched in the sense of internationalization research stream, there could be only little prediction before analyzing the data. The data is analyzed theory-guided, so the arise themes will the results of continuous dialogue between the data and the existing theories of internationalization, being coherent to the abductive methodological approach of the study (Tavory & Timmermans, 2014, p. 21). This theory-guided qualitative content analysis method was chosen because there was no exact theory to rely on in the starting point, so the analysis could not be theory-drive, but in the other hand the analysis could not be purely data-driven, as preliminary theoretical framework was used. (Tuomi & Sarajärvi, 2009, pp. 116 - 118)

During the analysis process, the research data was categorized first according to following themes that arise from the data itself: official work, illegal business activities and the operating environment. The themes were identified by going through data multiple examinations of the data (Nishishiba, et al., 2014, p. 286). The two first themes were yet divided into subthemes. Official work into a) general procedures of official work; b) practices that hamper or decelerate the official work; c) practices that facilitate or accelerate the official work; and d) development proposals for public authority work. Illegal business activities into a) experience of the nature of illegal activities; b) experience of the crime types; c) experience of dealing with illegal businesses and illegal actors; d) experience of the illegal business operations and ways of doing business; e) experience of the structure of the operations/organizations; f) understanding of typical illegal business models; and g) experience of the operation enablers. This first phase of the analysis helped organizing the data and preparing it for further analysis (Nishishiba, et al., 2014, p. 286).

Secondly the data about illegal international businesses was further coded in order to find patterns of illegal organizations and their internationalization activities (Nishishiba, et al., 2014, p. 286). In this phase the data was coded into external environmental and internal firm related factors, to be able to identify the unique

features of illegal international business. This search for “categories” of who, what, whom, when and where (Stebbins, 2001, p. 23), pathed away for discovering key patterns that fit theoretical model used for identifying influencing factors of internationalization (Nishishiba, et al., 2014, p. 286). The patterns were identified, by comparing the influencing factor affecting the accelerated internationalization of Born Globals to the findings related to the unique features of illegal international businesses, and so it was able to capture the contextual influencing factors of acceleration of internationalization. These findings which resulted from the data analysis are presented in the following chapter. The findings are the story told by the data together with the theoretical framework and are influenced by the interpretation of the researcher (Nishishiba, et al., 2014, p. 287).

## **4 FINDINGS**

The data was analyzed theory-guided, so the arise themes are the results of continuous dialogue between the data and the existing theories of internationalization (Tavory & Timmermans, 2014). In the first part the finding the illegal business is characterized according to its features to gain understanding of the illegal context. This is followed by viewing the influencing factors of acceleration of internationalization from this context. The findings of illegal international business context are considered through categorization: the external factors: business environment and competition; and internal factors: firm related, and actor related. Then, these contextual factors are discussed accordingly to the four forces affecting the acceleration internationalization, as identified by Oviatt & McDougall (2005).

### **4.1 Characterizing the illegal international business**

As stated above the characterizing of illegal international businesses was done by identifying the context specific features of illegal international business in two different levels: external and internal level of organization, and actor related perceptions. The external business environment related findings include institutional environment and competition. In this study the competition is not seen to be limited only to the competition within other illegal actors, but also competition with illegal and legal actors as well as law enforcements attempt to cease and desist the illegal business. After this the internal firm related factors will be discussed. This means the findings about the business operations and organization structures also presenting findings which relate to the people doing the business. In the beginning of each sector, the key quotations from the data are presented in the tables.

#### **4.1.1 External factors**

The external factor related findings are divided in two categories, presented in different tables 3. and 4. The first category is institutional environment, which mostly relates to findings related to legislative framework, international (and partly national) cooperation of public officers and law enforcement jurisdiction. The second category is competition, which discusses pressure coming from other international illegal

businesses, but also the issue of competition with international legal businesses, and the competition with law enforcement.

**Table 3. Findings in category institutional environment**

<b>Category: Institutional environment</b>		
<b>Subcategory</b>	<b>Results</b>	<b>Quotation</b>
<b>Role of the legislative differences</b>	Lack of consensus (within public officers: what is legal, what is not; also, with actors committing “the criminal act”)	<p><i>Legislative differences between countries are a major factor in many areas and hampers international crime prevention cooperation between public officers. – Interviewee 10.</i></p> <p><i>According to studies, it (counterfeit) is highly attractive that due to the high expected income, penalties of possible capture are minor, the production capacity and technology development, demand for branded goods and the considerable differences between the punishments of intellectual property offenses in different countries. – Document 4.</i></p> <p><i>Legislative differences between countries may, at its worst, lead to the fact that some of the actors do not even know that they are illegally operating in another country, for example, neglect to do certain announcement or payment obligations. – Interviewees 8 &amp; 9.</i></p>
<b>Role of the official authority cooperation</b>	Complicated and slow processes allow activity to be accomplished and actors disappeared	<p><i>And then, in other respects, another country, so investigation is more congested, so for example, cooperation with Sweden and Estonia happens in a very good spirit and communication is quick and you can count on what the other end says. And then there is some island state in the Mediterranean environment, which does not always seem to us to be quite as we would hope so. This is then a scale within this EU that. Might be accidents with the documents, or that the documents will not come at all, and then we start to inquire, and the situation will change depending on what is on the documents, and if it is for the same employer then it is different. – Interviewees 6 &amp; 7</i></p> <p><i>All the cases are related to the fact that settlement is slow and there are clearly different interpretations in the EU, with the Finns it might even be said that the authorities have a different operating culture. – Interviewees 6 &amp; 7</i></p>
<b>Role of authority jurisdiction</b>	Slows the investigation process and gives more space to act	<i>I think that even more on the side of this intelligence legislation or on the required signal investigation, the operational preconditions and the needs are increasingly distant from each other and it is because this virtuality, because all activities are based on this electronic flow of information and if there is no power</i>



		<p><i>to intervene in any way, in few years the law enforcement is helpless. The picture of the situation has disappeared somewhere when it can't be snooped. That's a big deal, yes. – Interviewee 1</i></p> <p><i>-problem here is that the police is not allowed to make the decision. If we stop like a minivan, full of car batteries. A person from country board must come out for the place to make the classification. Of the cargo. The problem is, that in the Norrbotten, we have one guy. And he is also covering the Westerbotten. So, if there is one-day car stopped in Kiruna, he must go there. And if you stop the car in Umeå on the next they, he must go down there. That's the problem. The police can't do it himself. – Interviewee 4</i></p> <p><i>In Finland, the prevention of the use of Internet-based crime is particularly hampered by the fact that the pre-trial investigation authority generally does not have the power to investigate "online fraud". – Document 4</i></p>
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It has increasingly become clear that external environment has impact on entrepreneurial success, and so is critical in understanding international entrepreneurial behavior (Zahra & George, 2002; Shirokova & McDougall-Covin, 2012; Szyliowicz & Galvin, 2010). For example, according to Shirokova and McDougall-Covin (2012) the entrepreneurs of Born Globals start to rely more on their social network than official constructs when facing the uncertainty and hostility of the institutional environment. This is strongly supported in the research data, as the illegal international businesses mainly operate in highly hostile institutional environment.

According to the research data, legislative differences between countries may result in three different aspects. First, by lack of consensus between public officers: what is legal, what is not; and with actors committing “the criminal act”. At its worst, the latter can lead to the fact that some of the actors do not even know that they are illegally operating in another country, for example, without neglect to do certain legal announcement or payment obligations. For example, tax evasion in Finland is sufficient to try to impose a tax-free (Criminal Code Chapter 29, Section 1). In other countries, for example, only the actual tax evasion can be condemned as described by interviewees 8 & 9. More common is the lack of consensus between public officers of different countries, which slows, and possibly hampers, the investigation of

probable crime. For example, according to document 4, counterfeit industry is highly attractive due to, among other reasons, the considerable differences between the punishments of intellectual property offenses in different countries.

Secondly, The European Union (EU) has been mostly harmonized in its legislation, especially related to foreign trade. Certain legislation related to crime prevention and jurisdiction is based on national law, but within the framework of the EU, there are no big differences in jurisdiction. According to interviewees 1 and 10, there are some differences are related to the intelligence and network inquiry. What is related to other countries outside the European Union, is that there is variation. And because of more global world market, the issue of institutional differences is more relevant than ever. Besides the effect of different legislation, it is also interesting the effect evolving process within the illegal businesses, when new law is being introduced. For example, according to interviewee 5, it is clearly available for observation from the leaked documents that every new EU directive immediately starts an evolving process where new ways to go around the law is being searched. Another example is from interviewees 8 & 9, that there was a clear rise of the Estonian share in the Finnish VAT fraud scene same time when the Estonian Tax Administration enhanced the VAT control.

**Table 4. Findings in category competition**

	<b>Category: Competition</b>	
<b>Subcategory</b>	<b>Results</b>	<b>Quotation</b>
<b>Illegal competitors</b>	Point out the fruitful business opportunities, puts pressure	<i>But there is, of course, happens progress. So, when seen sufficiently profitable and the risk of getting caught is low enough, and then it fits the norms of a certain crime networks, as will be well be that they are going to the business. – Interviewee 1</i>
<b>Legal competitors</b>	Victims (distorted competition and use as a platform)	<i>More and more companies are subjected to organized crime and are competing with disturbed conditions with illegal businesses. Companies in the sphere of organized crime work are in the construction and cleaning sectors, above all as the labor mediator and users, as well as for receipt trade and tool for money laundering. There is also money laundering and established links with organized crime around restaurant and car related businesses. – Document 4</i>  <i>Thus, the disingenuous actor can acquire the goods</i>

		<p><i>from other communion country without tax and does not inform Finnish authorities about the acquisition or the resale of the goods in Finland. The method is attractive because the this how less capital is committed to the acquisition than it would, if the acquisition would take place in Finland. So, the goods are cheaper in net price. When the resale is neither announced, the product may be priced somewhat below the market price by the amount of the avoided VAT, and thus take market share from honest competitors. – Interviewees 8 &amp; 9</i></p>
<b>Law enforcement</b>	<p>Special means to detect illegal activities; national and international high-degree authority cooperation</p>	<p><i>Law enforcement agencies such as the police have the opportunity, if necessary, to use different coercive measures in obtaining information. – Interviewee 10</i></p> <p><i>National and international co-operation between different authorities in crime prevention, In Finland, very close co-operation with the police, customs and border guards (PTR cooperation). In Finland, cooperation with authorities at international level is very high. – Interviewee 10</i></p> <p><i>And some of the big fish have been captured by international co-operation recently. – Interviewee 1</i></p>

The second category of business environmental finding is competition. The generalized results of this category are that the other international illegal businesses put pressure to local illegal businesses to internationalize. According to Oviatt & McDougall (2005), competitors encourage and even force faster internationalization. This is because the entrepreneurs are motivated to take faster steps in fear that competitors make them first. Besides the pressure factor, the other international illegal businesses also seem to highlight the fruitful business opportunities to the other illegal businesses.

Competitive pressure does not solely come from other illegal businesses, but from law enforcement as well. This law enforcement factor is extremely interesting, as the role of law enforcement in this competition is solely to put illegal businesses out of business, and not only to put down the business but to make sure that the actors would have no opportunities to start new illegal businesses in the future. This aspect makes the environment for illegal businesses extremely dynamic and enhances the evolving and accelerated nature of illegal businesses' activities. This also seems to

directly reflect to accelerated internationalization. The competitive pressure of law enforcement which realizes in the prosecution evading nature of illegal businesses is more discussed in the chapter 4.2. where the key findings related to accelerated internationalization of international illegal businesses are being presented.

According to the data, legal competitors should be viewed in two ways. Firstly, that between high pressure competition between legal competitors, other might take illegal steps, and turn itself in to an illegal business in order to survive or to have competitive advantage. For example, in the trade of used cars, it has been caused local market disturbances by acquiring goods without tax in other union country and then reselling them in Finnish market without announcing the acquisition or the resale, and this how being able to price the product below the market price by the amount of avoided value-added tax (VAT). The second aspect on legal businesses is that illegal businesses use them as a platform to for example launder money or that they are victims of illegal businesses as the competition becomes distorted if other parties use illegal methods to have competitive advantage.

#### 4.1.2 Internal factors

The second general findings are internal firm related factors. In the first table is the business category. The factors are presented in the table in subcategories. The most interesting findings are related to subcategory organization's governance structure.

**Table 5. Findings in category business**

	<b>Category: Business</b>	
<b>Subcategory</b>	<b>Results</b>	<b>Quotation</b>
<b>Nature</b>	The ignorance of the rules, exaggerated profit-seeking behavior, and evading prosecution.	<i>That is the main difference in this, that some come and play by rules and others don't. – Interviewee 1</i>  <i>Money and power can now be philosophically thinking. Yes, it is so crude that the target is criminal gain here. And then for that, not to be caught. So, risks should be minimized, and yields must be maximized. That's where this thing starts to go. – Interviewee 1</i>
<b>Crime types</b>	Increasingly misuse of legal businesses and structures,	<i>The Joint Police Office of the Member States of the European Union, Europol anticipates that</i>

	but no specific types	<p><i>legitimate business structures will have an unprecedented amount of crime in the near future: companies and communities are increasingly victims of crime and are increasingly being used to commit crimes. – Interviewee 10</i></p> <p><i>According to several recent studies, organized crime exploits more and more legal businesses in its criminal projects and the exploitation of illegally acquired assets. – Interviewee 10</i></p> <p><i>In practice, clear differences between the illegal and lawful activities, for example in the form of business, are impossible to find. Where there is legal activity, there are also illegal operators and vice versa. In general, it cannot be generalized that illegal activities would only be in a particular sector or in certain types of businesses. – Interviewees 8 &amp; 9</i></p>
<b>Business model</b>	The operations are camouflaged to look something totally different than it is about or information on activities are not provided as it should according to law	<p><i>- activity may appear to be completely legal and normal, even if it is actually illegal. – Interviewees 8 &amp; 9</i></p> <p><i>An illegal and licensed person tries to act so that it appears to be legitimate. That is the import of illegal goods today. – Interviewee 2</i></p>
<b>Resources and capabilities</b>	Key resource is knowledge, which is either due to founders' experience-based knowledge or acquired via networks	<p><i>To operate illegally, it does not require any more prerequisites or resources than arranging other types of business. Requirements or resources may be required even less than for legitimate business. Considering the international aspect, the resources may be even considerably smaller. – Interviewees 8 &amp; 9</i></p> <p><i>First of all, you have to know something other than the Finnish language. Illegal or legal, so be able to communicate with those who want to trade. On the other hand, you probably need to know these foreign trade structures and payment systems. They are probably the most important ones. – Interviewee 2</i></p>
<b>Governance structure</b>	Hybrid-structure consists of layers and cooperative networks	<p><i>This offshore economy builds much on the use of intermediaries, that you use tax lawyers or consultants or there were businessmen, who then help their own customers and contacts a local lawyer's office. It is also typical that no one takes responsibility of knowing or identifying the beneficial owner. – Interviewee 5</i></p> <p><i>It's pretty typical, and of course it's typical to have many different companies, and really difficult</i></p>

		<p><i>construction, offshore constructions. And then there are different ways of hiding the right owner, there are those holding shares and nominee directors, nominees, and so on. It's a bit like a Matryoshka nesting doll doll, there are many different levels, or onions. And every level costs more. And the more you pay, the better you can you're your property and your own name. – Interviewee 5</i></p> <p><i>Very often the local mafia is in contact with local society. These two nets they, the legal and illegal, they sometimes are formed of the same people. In the formal network, like the city major, he has man in the illegal net. And maybe the other person in the net is the most important person. – Interviewee 3</i></p> <p><i>Chaining, that it has gone further in those subcontracting chains. – Interviewees 6 &amp; 7</i></p> <p><i>Man born in Nigeria, owns a cleaning company with one employee. The employee is his wife. The company is based in Stockholm. He has a network round connects him all over Sweden. It's mostly Nigeria mans. But some other African nations. Some other are living here in Luleå. And he had quite a connection to Uppsala and Örebro, Gothenburg, and he is also active in US by cars. --- - My opinion is, most this guy was main character for the car scrapping business. But I think he is part of some kind of narcotics network. And maybe this, the cars, for making money, so they can put it into drug business. ---. That our man of part of it. He wasn't a main man, but he was one of them. – Interviewee 4</i></p>
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According to interviewee 1, the main difference between legal and illegal actors are the fact that some come and play by the rules and the others do not. In the other words, illegal business activities are, in principle, outside the normal regulatory authority as also described by interviewees 8 and 9. The old saying, opportunity makes a crime, is valid and has a point in understanding illegal business activities, this is emphasized by interviewees 1 and 3. In many cases, it is hard to identify when the law has been purposefully violated. Especially, officials working with legal documents and obligatory payments highlight this aspect. However, according to interviewees 2, 8 and 9 illegal actors commonly try to make their activities look like normal legal activities. Other typical manouver, described by interviewee 1, is that criminal actors try to be seen like benefactors in the eyes of the public. Like human

traffickers, who were regarded as benefactors offering the service for suffering foreigners to reach the European Union, while in fact, they were making big profits making these people victims of human trafficking, and modern day slavery. In smaller volume of business activities, it can be due to intention of the actor to try luck, so to say, take the risk of doing the job, taking the money, and not even trying to do the job properly in legal terms because handling of the regulatory work is difficult and hard to understand how it should be done. Interviewees 3, 6 and 7 describe a coercive pressure coming from informal networks of the entrepreneurial actor, that if it is not a common practise in the social network of the actors to obey the law, the actors find legitimation for their criminal behavior and feel invited to behave similiary. In the bigger scale, it is not about not knowing how to do something or accidental avoidance of lawful practises, in these cases interviewee 1 explain the actors to be organized criminals and their operations systematic. Moreover, a typical feature of the illegal industry is the constant game of cat and mouse, explained figuratively by interviewee 5, which refers to a contrived action involving constant pursuit, near captures, and repeated escapes.

The most important motivational reason for the illegal actors is obtaining economic benefits as stated by all the interviewees. Interviewee 10 also mentions the aspect that obtaining of economic benefits must be quick and easy and interviewee 1 adds the lust for power to motivational factors. Also according to interviewee 2, the cultural environment of the actor influences to behavior, especially when it is about official payments, there are differences between countries, and so if in some countries some payments are not mandatory, they are easily left without paying in the new environment as well. In the last statement, it can be identified actions of a coersive isomorphis, which affect the actors acting acording to the cultural contex, but also a mimetic mechanism, as actors imitate the other actors in their coethnic social network, when doing business in a new environment in a uncertain situation (DiMaggio & Powell, 1983).

There are many reasons why illegal business activities are harmful for the society. Interviewees 2, 8, 9 and 10 explain that the markets do not work fairly if some players neglect different obligations and this how offering their services at lower cost. Illegal behavior distorts the competitive markets and the legitimate actors suffer

from this, as ultimately also the final customer, the consumer. Furthermore, according to interviewees 4 and 10, in the EU countries, international tax and financial aid fraud crime is causing great socioeconomic damage, and significant growing areas of international organized crime are often life and health-threatening product counterfeiting and environmental crimes. The intensifying impact of organized crime undermines the legal order of society by weakening legitimate business practices and the legitimate economy and jeopardizing the functioning of the judicial system, described by interviewee 10, and making illegal actions as a common practice or even more legitimate. Moreover, as interviewee 3 puts: international criminality is grave issue as in the connected globalized world, we all are losing money for the international organized criminals.

According to interviewees 8 and 9, typically the operations are camouflaged to look something totally different than it is about or information on activities are not provided as it should according to law. The Joint Police Office of the Member States of the European Union, Europol, anticipates that forthcoming the legitimate business structures will have an unprecedented number of criminals: companies and communities are increasingly victims of crime and are increasingly used in crime such as corporate finance aid and acts in industry where investments are big but surveillance weak. Particularly interesting sectors to invest in for the criminals are those, which offer more profitable and less risky beneficial opportunities, that also strengthen the position of the organized crime network in the legitimate economy. This aspect was pointed out by documents 1 and 3, and interviewees 10 and 4. Organized crime uses constantly more legitimate business activities in crime and in exploiting of illegally acquired finances. As example of misuse of structures, interviewee 2 describes a situation where large amount of flammable liquids were shipped with regular customer cruisers. Interviewees 8 and 9 illustrate a situation from Paris, where AirBnB was structurally misused as foreign operators bought from a large number of homes to market and rent them extensively and professionally. This distorted competition in the hotel sector, which in itself is subject to a license in Paris. No taxes were payed from the operating profits.

According to interviewees 4 and 10, the establishment of an illegal business is in principle not legitimate, but often the company may have a legitimate business



partner, although in many cases, real business partners are in one way or another involved in crime. As co-founders of the company and in the authorities' registers, responsible persons have often been family members of criminals, close relatives and however, who do not necessarily have a prior criminal background. Occasionally, comes to light cases where a dead persons or persons who have not been asked for consent have been reported to the company's responsible persons. So in other words, those persons were not aware that their names had been notified to the company register. Also common practise is to create fraudulent companies, to create so-called "box office companies" or "day-time" companies, which in practice do not have any activity.

Other structural misuses are related to differences in legislations. Also legal international business uses legislative differences to cut costs for example production costs, this is legal cost planning and should not be confused in illegal payment avoidance, as describes interviewees 6 and 7. It is also natural, according to interviewees 8 and 9, that different kind of legal obligation and taking care of them cause costs, which can be incentive for some actors to disobay the law. Increasingly, operators have taken advantage of the services of extrenal professionals: lawyers, economists, marketers, software specialists. Some of these know that their services are used for illegal activities, they accept this and may even actively participate in the practice of illegal activities. Interviewee 10 points out that some experts may not even know that their expertise is being exploited in illegal activities.

Other structural misuses are related to transportation and communication networks and exploitation of work force. In the words of interviewees 4 and 10, it seems to be important to maintain transport routes and moreover, logistics interest criminals in many ways. Then, like interviewees 6 and 7 discuss, there are large firms in the field of labor leasing firms, with which they have had to argue, what is the right place of residence and whether it is real and if they are right. Even in the EU, there are countries in which it is somewhat small business to offer such a home base more densely than any other country. Interviewee 10 also brings up the concern that exploitation of work force might spread to new industries like e-commerce and managerial positions, which can be outsourced easily to foreign destinations.

To conclude the operating modes, interviewees 1, 3, 4 and 10 explain that nowadays organized crime operates in virtual platforms. Mainly the operative functions rely on information acquisition, transmission and exchange, as well as, on the ability to analyze the held data and draw snapshot. For example, the refugee crises of 2015 were the first large scale virtual operation, even though, there was not much food or drink or clean clothes or hygiene supplies, everyone had smartphone where came the instructions about the logistic issues and contact persons. When previously far-reaching instructions were given. Moreover, in general illegal actors are switching from phones to different kinds of applications like Snapchat, WhatsApp, Messenger and anything else, like more computers. This is because, these applications are better secured and harder to track than phone calls, which makes official work much harder. Functioning secured communication is a key to successful illegal business operations. This supports the theoretical findings of the Born Global organizations that innovativeness is key concept to competitive advantage, and that one main reason behind the accelerated internationalization is developments in the technology (Madsen & Servais, 1997).

To operate illegally, it does not require any more prerequisites or resources than arranging other types of business. Requirements or resources may be required even less than legitimate business. For example, in Estonia, the founders of a company do not really hire an accounting firm, and a company established in Estonia does not need capital in the same way as in Finland. Considering the international aspect of the second word, the resources may be even considerably smaller according to interviewees 8 and 9. Anyhow, there are some key resources that can be identified. First, it is important to have decent language knowledge: illegal or legal activities, it is important to be able to communicate with business partners and clients. On the other hand, need of knowledge on foreign trade structures, payment systems and legislation, and to be able to identify these gaps and turn them into business opportunities. Interviewees 2 and 3 mentions that then there are technical abilities, so to say special operating and strategic knowledge. This also correlates with existing research of international entrepreneurship, that Born Global companies must obtain specific knowledge and have a highly focused strategic plan (Gabrielsson, et al., 2008). Financial resources are acquired from illegal business operations, which give competitive advantage and so on profits. Important resources are also the

transportation and communication chains, as also mentioned in Born Global research (Rialp, et al., 2005). Also, interviewees 1 and 10 highlight that the corruption of official authority is an important resource for illegal actors, and so supporting the typology of legal-illegal links, which refers to the interface of relationships between illegal and legal actors (Passas, 2003).

Interviewee 1 explains that traditional highly hierarchical criminal organizations do not exist anymore as such. Although, the same person continues that it is typical that there are clear division of leader follower relations, and clear code of communication, division of financial benefits and also plan in case of being caught. Interviewee 2 opinions like wisely. Furthermore, as stated by all interviewees, it is typical to use intermediates, and that no one seems to be responsible of anything, keeping things as complex as possible, supporting the common practices of Born Global firms as well (Oviatt & McDougall, 2005). In addition, as could be understood from the data, it is common practice to have many different companies, and difficult construction, sometimes offshore constructions as well as long subcontracting chains. And then there are different ways of hiding the right owner, there holding shares and nominee directors, nominees, and so on. Structure has resemblance to Matryoshka nesting doll or onion, with many layers and every layer costs more. And the more you pay, the better you can hide the property and your own name. This makes that officials get the small fishes and it is getting harder and harder to catch the main players. Data of this study also supports the main statement of networking theory in relation to international entrepreneurship research, because it is typical for the illegal international businesses that the structure of organization is created with different networks, both legal and illegal networks, as well as networks between different functions, like in Luleå -case, where the guy was leader of the illegal ELY-export network but seemed to be part of the narcotic network.

The second category of internal factors is about the more detailed view governance structure by further division into subcategories about management level and employee level.

**Table 6. Findings in category management structure**

	<b>Category: Governance structure</b>	
<b>Subcategory</b>	<b>Results</b>	<b>Quotation</b>
<b>Management level</b>	Well hidden in complex organization structures, mostly experienced actors	<i>Usually, the so-called "decent citizens do not participate in the illegal activities. The operators themselves are typically the so-called. old players. – Interviewees 8 &amp; 9</i>  <i>Usually experienced criminals. – Interviewee 10</i>
<b>Employee level</b>	Form a protective tier to hide management level, often foreigners and can be forced, or former victims	<i>As employees and in more assisting roles are often foreign individuals who may not know what is legal and illegal and assume that the recruiters involved them in business have taken care of things. – Interviewees 8 &amp; 9</i>  <i>Typically, the organization has not sent from top to bottom their own men to do the job, but rather local guys who have just been offered a gig. Or then there are some who have themselves been previous customers, and the they decide that as they need a job and they have seen how the work is done, so they decide to become employees for the organization. – Interviewee 10</i>

In practice, according to interviewees 2, 8, 9 and 10, clear differences between the illegal and legal businesses is impossible to find. Where is legal activity, there are also illegal operators and vice versa. In general, it cannot be generalized that illegal activities would only be in a particular industry or in certain types of businesses. Interviewees 8, 9 and 10 explain, that usually “decent citizens” are not engaged in illegal activities. The operators themselves are typically the so-called. old dogs. Employees and more assisting roles often have foreign-based persons who may not know what is legal and illegal and assume that they are involved in doing business with recruits. However, interviewee 4 describes that there are some common factors, such as the operators are often organized in networks and often these networks consist ethnic groups of actors. This is in accordance with Born Global theories, where the role of more elaborate capabilities of people is emphasized in relation to the phenomenon of accelerated internationalization of Born Global firms. As Rialp, et al. (2005) and Madsen & Servais (1997) describe, this factor relates basically to the fact that increasingly people have gained international experience during recent years.

## **4.2 The influencing factors of acceleration of internationalization in illegal business context**

In this second part of findings chapter, the factors influencing the accelerated internationalization of illegal businesses are presented. The presentation of the findings adapts largely to Oviatt & McDougall's (2005) modelling of speed of entrepreneurial internationalization, and so are presented according to the four forces: enabling, motivating, mediating, and moderating. However, the inner factors of the four forces is modified to fit the contextual factors influencing the internationalization of illegal businesses.

### **4.2.1 Enabling factors of the acceleration of internationalization**

The *enabling* force, makes accelerated internationalization feasible. Development of the technology have made faster and more efficient transportation and communication among multiple foreign countries, and so has brought down costs for foreign trade and investment (Oviatt & McDougall, 2005). Also, as the interviewee 1 concluded that in the illegal business is virtualized as it offers better opportunities to be more secretive, make changes to operations faster, and overall makes businesses more dynamic. So, this study supports the findings of previous researches about the factors enabling accelerated internationalization. In the model of this study, in addition, the institutional environment has been added to enabling factors. This is because, the weak institutional environment, lack of or difficulties in international official coordination and legislation differences pulls illegal businesses faster to international markets by providing opportunities for businesses, for profits, and for evasion of the prosecution. As interviewee 10 highlights, legislative differences between countries are a major enabling factor in many areas and hampers international crime prevention. Also, areas that lack enforcement surveillance are seen attractive due to lower risks, as presented in document 6.

#### **Table 7. Enabling forces**

<b>Factors</b>	<b>Quotation</b>
<i>Technology (high-tech: internet, virtual reality)</i>	<p>-our life is so virtualized, it offers even better opportunities-. – Interviewee 1</p> <p>Yes, in the virtual world this goes, but yes this is organized crime. – Interviewee 1</p> <p>This 2015, so called great international migration to European Union. It is considered first and large scale massive virtual operation in emigration. So, even though there was not sufficiently food or drink or clean clothes or hygiene supplies, everyone had these [<i>points his smartphone</i>] and came the instructions and here they got all. With this they could navigate directions and all the contacts were listed. And always information of where to go next, who will come to pick up and how this goes and it happens quickly in short time period. When before long-term directions were given, that that week here and than there, now now it happens within the hour. – Interviewee 1</p>
<i>Legislation (legislative differences between countries and also private protection law)</i>	<p>Legislative differences between countries are a major enabling factor in many areas, and hampers international crime prevention cooperation between public officers. – Interviewee 10</p> <p>I think that even more on the side of this intelligence legislation or on the required signal investigation, the operational preconditions and the needs are increasingly distant from each other and it is because this virtuality, because all activities are based on this electronic flow of information and if there is no power to intervene in any way, in few years the law enforcement is handsless. The picture of the situation has disappeared somewhere when it can't be snooped. That's a big deal, yes. – Interviewee 1</p> <p>According to studies, it (counterfeit) is highly attractive that due to the high expected income, penalties of possible capture are minor, the production capacity and technology development, demand for branded goods and the considerable differences between the punishments of intellectual property offenses in different countries. – Document 6</p>
<i>Lack of official work coordination</i>	<p>And then, in other respects, another country, so investigation is more congested, so for example, cooperation with Sweden and Estonia happens in a very good spirit and communication is quick and you can count on what the other end says. And then there is some island state in the Mediterranean environment, which does not always seem to us to be quite as we would hope so. This is then a scale within this EU that. Might be accidents with the documents, or that the documents will not come at all, and then we start to inquire, and the situation will change depending on what is on the documents, and if it is for the same employer then it is different. – Interviewee 6 &amp; 7</p>

<p><i>Weak institutions &amp; corruption</i></p>	<p>Strong government corruption is, of course, a very important resource for an actor practising enterprise crime. – Interviewee 10</p> <p>Carousel fraud in emissions trading has led to huge losses of VAT, especially in the UK and the Netherlands. Making fraud is fairly easy because all commercials can be made in electronic form and the volume in Europe is large. – Document 4</p> <p>To criminals wealth, for example in the European countries, law enforcement have been able to intervene very little. – Interviewee 10</p> <p>Yes, the collection of insurance premiums from abroad, even from the EU territory, is extremely difficult. It is in this regard, if you think about why they intending to avoid insuring, with such negligence and making an assurance, but not paying bills, it would take long to take action by public officers before even getting action to stop. Debt collecting and seek for foreign firm to bankruptcy is very difficult. – Interviewee 6 &amp; 7</p> <p>Corruption always hampers business if it is legal. And always helps the illegal business. – Interviewee 2</p> <p>If we talk about money, then those resources can be obtained by being illegally served and gaining a competitive advantage over others because there is not much tax on illegal activity. There will be a big advantage right now and that's how the capital is accumulated. – Interviewee 2</p>
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#### 4.2.2 Motivating factors of the acceleration of internationalization

The *motivating* forces include here besides the original competition, financial gain and evading prosecution. According to (Oviatt & McDougall, 2005), competitors encourage and even force faster internationalization. This is because the entrepreneurs are motivated to take faster steps in fear that competitors make it first. In here, the competition is mainly seen as a cat-and-mouse game between law enforcement and illegal businesses. This point of view is due to the research data sample, which included mainly law enforcement officials, and so the perspective of competition is between formal institutions and illegal businesses. The excessive chase to put illegal organizations out of the business pushes them to seek safer locations from international markets, and so accelerates the internationalization.

Financial gain is added in to the motivating force because all the interviewees mentioned that in the end the only motivating factor is quick and big money. Also, the factor of evading prosecution was added to the motivating forces, as usually, sooner or later, the illegal actions are detected by law enforcement. It is very clearly visible in the data that the risk of prosecution drives illegal businesses to accelerate their internationalization. Furthermore, this can be interpreted also as a push force, because it motivates the actors to internationalize rapidly.

**Table 8. Motivating forces**

<b>Factor</b>	<b>Quotation</b>
<i>Competition</i>	<p>But there is, of course, happens progress. So, when seen sufficiently profitable and the risk of getting caught is low enough, and then it fits the norms of a certain crime networks, as will be well be that they are going to the business. – Interviewee 2</p> <p>More and more companies are subjected to organized crime and are competing with disturbed conditions with illegal businesses. Companies in the sphere of organized crime work are in the construction and cleaning sectors, above all as the labor mediator and users, as well as for receipt trade and tool for money laundering. There is also money laundering and established links with organized crime around restaurant and car related businesses. - Theme 2013</p> <p>Law enforcement agencies such as the police have the opportunity, if necessary, to use different coercive measures in obtaining information. – Interviewee 10</p> <p>National and international co-operation between different authorities in crime prevention, In Finland, very close co-operation with the police, customs and border guards (PTR cooperation). In Finland, cooperation with authorities at international level is very high – Interviewee 10</p> <p>And some of the big fish have been captured by international co-operation recently. – Interviewee 1</p>
<i>Financial gain</i>	<p>An age-old reason, easy and fast money. – Interviewee 10</p> <p>Whether it is then greed. I would say that the greed, that the money is not enough, and it needs to be stretched and invent loopholes. – Interviewee 5</p> <p>Economics: big profits for the operators, the ones that gets cars and get exported. – Interviewee 4</p> <p>Money and power! Money and power can now be philosophically so. Yes, it is so crude that the pursuing criminal gain is the objective. And then that being caught is avoided. So, risks should be minimized and yields must be maximized. That's where this thing starts to go. – Interviewee 1</p> <p>Gaining financial gain, ie avoiding various legal obligations. – Interviewees 8 &amp; 9</p> <p>Monetary. There's no other thing. Everything else is disguised, for some other reason, but if you talk about drugs or something else that should be legalized, then the final question is who gets money. Yes, it is so crude what I've observed here. Publicly accused may present more noble reasons, but in most cases, money has been a motive. There is no other reason. I do not remember any</p>



	<p>unclear case that people would have interpreted against themselves. – Interviewee 2</p>
<i>Evading prosecution</i>	<p>Occasionally, cases will also arise where dead persons or persons who have not been asked for consent have been reported to the company's responsible persons, i.e. those persons have not been aware that their names have been entered in the register of the company. – Interviewee 10</p> <p>Criminals are particularly interested in investment, especially in sectors that offer more lucrative and less risky opportunities for profit, which also strengthen the role of criminals in a legitimate economy. – Interviewee 10</p> <p>Just so clear cat-mouse game. It can be observed clearly from these papers that a new EU directive is now in place and now this is the case. Always finding the next place. There was also talk in one place that the Panama offshore should be ended, it has become a problem in Europe, that now the better place could be Cyprus or Malta. – Interviewee 5</p> <p>Vulnerable value-added tax (VAT) declarations of this type have been given to a considerable extent by Estonian professional criminals. Of course, the Finns also know the same game. The rise of the Estonian share in the Finnish VAT fraud scene is directly due to the enhanced VAT control of the Estonian Tax Administration. Authors have also been found to have been same that have already been revealed in Estonia previously. The link between the rise of observations in Finland and Estonia's enhanced supervision has not been studied, but the knowledge-based, educated guess is that they have a connection with each other. – Interviewees 8 &amp; 9</p>

#### 4.2.3 Mediating factors of the acceleration of internationalization

The *mediating* force means the entrepreneurial actor. Moreover, it means that the person or group that discovers or enacts an opportunity is central to the dynamics of international exploitation (Oviatt & McDougall, 2005). The same authors, argue that only by understanding how the opportunity, the enabling forces, and motivating forces are interpreted, or mediated, by the entrepreneurial actor. This means according to (Oviatt & McDougall, 2005) that the personal characteristics like years of international business experience, or international experience, and psychological traits like risk-taking propensity, and in case of illegal businesses, the certain disregard of common rules and moral perceptions. Also, from the data is visible that to be able to be in illegal business and take it to international markets rapidly requires a certain kind of personal abilities. Often these actors are with previous experience as interviewees 1, 8 & 9 explain. They have to have some skills, especially

communication skills, and also in certain degree an ability to resist institutional isomorphism.

**Table 9. Mediating forces**

<i>(Entrepreneurial) actor perceptions</i>	Quotation
<i>Experienced actors (old dogs)</i>	<p>Usually, the so-called " decent citizens do not participate in the illegal activities. The operators themselves are typically the so-called. old players. – Interviewees 8 &amp; 9</p> <p>Usually experienced criminals. – Interviewee 1</p>
<i>Disregard of common rules (legislation)</i>	<p>That is the main difference in this, that some come and play by rules and others don't. – Interviewee 1</p> <p>Gaining financial gain, ie neglect to handle various legal obligations. – Interviewees 8 &amp; 9</p> <p>Of course, one thing is that it is quite detrimental for the society, if some play by their own rules and not by the common rules. Whether it is foreign trade or something else. – Interviewee 2</p>
<i>Disregard of common moral factors</i>	<p>-but they (human traffickers) tend to appear as benefactors when legitimate channels cannot be provided for the people desired to come here because the lack of will in the European Union or Finland and in the other countries, then unfortunately they must use illegal and often dangerous routes. Even though they are collecting the fee from them, they act as benefactors and then us (border security) escort these people in need of international protection into protection. – Interviewee 1</p>
<i>Lack of trust in official institutions</i>	<p>On the illegal side, actors may not have confidence, or action must be seen as a protest against society. In my understanding, these players are not respecting the common rules of the game. – Interviewees 8 &amp; 9</p> <p>The success of own activity will always be pursued independent of any institutions, one way or another. Usually leads to corruption. – Interviewee 2</p>

<i>Communication skills</i>	Illegal or legal, so be able to communicate with those who want to trade. On the other hand, you probably need to know these foreign trade structures and payment systems. They are probably the most important one. – Interviewee 2
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#### 4.2.4 Moderating factors of the acceleration of internationalization

As in the original model, there are two types of *moderating* forces influencing the accelerated internationalization: knowledge and networks. Knowledge can be prior or acquired (Weerawardena, et al., 2007). Moreover, (Weerawardena, et al., 2007) argue that knowledge results from learning from multiple sources. To be able for acceleration of internationalization, different kinds of knowledge is required, for example as interviewee 2 mentions, actors must know the operating environment well to find the imperfections in the system and to be able to turn them opportunities, and further these opportunities in to a business. Also, according to interviewee 10 increasingly the operators take advantage of the services of external professionals, some of these professionals are legitimate actors.

The role of networks is key attribute in the acquisition of knowledge and resources among small entrepreneurial firms (Loane & Bell, 2006). Networks can be as well used as outsourcing some activities like transportation (logistics), marketing or for example distribution (Coviello & Munro, 1995). As interviewee 5 describes, the knowledge may be acquired through social networks, by asking around recommendations. According to interviewee 4 it is also common that the networks consists co-ethnic groups, and there are different loose networks of organizations cooperating, like illegal export may maintain the routes for narcotic trafficking, that narcotic group might support financially terrorist organization, and so on.

**Table 10. Moderating forces**

<i>Factor</i>	<i>Quotation</i>
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<p><i>Knowledge</i></p>	<p>Increasingly, operators have taken advantage of the services of external professionals: lawyers, economists, marketers, software specialists. Some of these know that their services are used for illegal activities, they accept this and may even actively participate in the practice of illegal activities. Some experts may not know that their expertise is being exploited in illegal activities. – Interviewee 10</p> <p>It can be done, if talking about utilizing public authorities, it may well be that some have such a good picture of the authorities 'ability to act and the way in which they use the information, that they are able to avoid the authorities' surveillance to conceal the action so that we do not know anything. – Interviewee 1</p> <p>It is especially the communication of this information within the organization, the exchange of information and the analysis of the data held and the creation of a snapshot. There they are, because the whole operative activity is based on it. – Interviewee 1</p> <p>First of all, you have to know something other than the Finnish language. Illegal or legal, so be able to communicate with those who want to trade. – Interviewee 2</p> <p>On the other hand, you probably need to know these foreign trade structures and payment systems. They are probably the most important ones. – Interviewee 2</p> <p>Yes, culture is clearly influenced by it. If the person have been living first 40 years in a country under a dictatorship, then the approach is there. – Interviewee 2</p>
<p><i>Network relationships</i></p>	<p>"- and so many who have gone out to do business or ask a business partner: "are you good for a good guy?" "Yeah, well, he is good at these". – Interviewee 5</p> <p>Operational habits are rapidly transposed internationally from one country to another, and operators also intentionally expand their activities, such as Uber. Knowledge is also gained through this and different competing models arise when the activity is found to be productive. – Interviewees 8 &amp; 9</p> <p>So, the country board let it go. And the third lorry was brought back to scrapyard there and put – and scrapyard here in Luleå went down to fix it. Down there. And why? I'm not pretty sure. But I have my suspicious, because when we got back the lorry, the customs investigated the truck with a dog trained for the narcotics and dog marked on the rear axle, there it was a whole. But it was empty. But probably there have been some narcotics. – Interviewee 4</p> <p>Finnish organized crime groups have increasingly more expert support. By means of this, certain criminal groups and the individual professional criminals close to them have gained a foothold in, for example, the little attention paid</p>

illegal art trade, where skilled criminals can get quick and considerable profits of import and sale of fake art with low risk of capture. – Document 4

"- And there is some wage links that money used to finance other activities like Nigerian have Boko Haram. I don't know how true that is. But some people think that is the way it goes. And maintain transport routes like you have transport route from Sweden to Nigeria for cars. But the other way they like to take some other things like narcotics and something..." – Interviewee 4

I would say that ethnical groups yes. – Interviewee 4

Typically, the organization has not sent from top to bottom their own men to do the job, but rather local guys who have just been offered a gig. Or then there are some who have themselves been previous customers, and the they decide that as they need a job and they have seen how the work is done, so they decide to become employees for the organization. – Interviewee 1

Even small amounts of cashflows from the counterfeiting and pirated products generate large illegal profits for criminals that finance other criminal activities. – Document 6

In business, members of criminal organizations gain influence and support their criminal activities. In Finland, more than half of the members of the most important criminal gangs are reported by the police as responsible positions in companies. People who specialize in fraud and financial crime make use of short-lived companies and coupons, but also make use of reputable companies. Identity bans on businesses or individuals are often used. Services in neighboring countries, particularly in Crimean partners in Estonia, such as labor force, and especially important decoy roles, are exploited in economic crime. – Document 4

### **4.3 Adjusting the found influencing factors of acceleration of internationalization to the theoretical framework**

The international illegal businesses operate in highly dynamic environment, under great pressure. For them, international markets are as itself a desirable operation ground, as the legislative differences, trade barriers, corruption that typically are seen as an obstacle for internationalization endeavour, are more of an advantage and at least fertilizers for the business. As can be seen from the results of this study there are many similarities between international legal and illegal businesses and in their internationalization as Born Globals. This study found support to Oviatt & McDougall's (2005) model of forces influencing internationalization speed, but also found contextual factors influencing the internationalization of illegal businesses. For example, also illegal as legal Born Globals rely on the hybrid governance structures

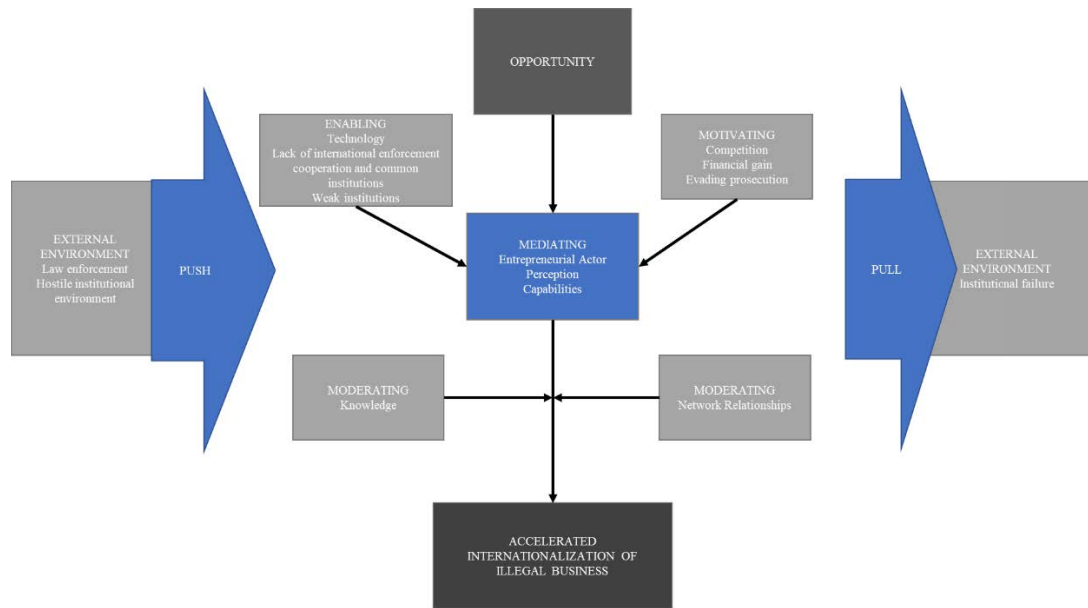
and the internationalization speed is moderated through complex networks, but the reason for the illegal Born Globals seems to be besides the scarce resources, the intention to evade prosecution. The key findings related to acceleration of internationalization are discussed more elaborately in the following chapter 5.

Below in the Figure 2. is presented the forces of accelerated internationalization of illegal international businesses. It based of and moderated from Oviatt & McDougall's (2005) model of forces influencing internationalization speed. This model was chosen as a base of discussing accelerated internationalization of international illegal businesses as it models the forces which influence the speed of internationalization. And as the phenomenon of this study is the acceleration of internationalization in the illegal context, analyzing according to the force elements have given interesting insights. The original model begins with a potential entrepreneurial opportunity. As the focus of this study is not in the discovery or enactment of the opportunity, it has been left out from this figure. Also, with the results of this study, it is not possible to discuss the part of entrepreneurial opportunity, although, all the interviewees highlighted the that "*opportunity makes a crime.*". Here, it is assumed, that there have been identified opportunity for the actors to create the business and take it to international markets. Moreover, the four types of forces are: enabling, motivating, mediating, and moderating. This can be observed from the Figure 2.

In respect of Oviatt & McDougall's model (2005), the *enabling* force, makes accelerated internationalization feasible, and is related to external factors, such as technology. According to illegal context, the lack of international enforcement cooperation and common institutions, and weak institutions are added, as according to data they are important factor enabling the accelerated internationalization.. The second force refers to *motivating* force guides the risk-taking behavior of entrepreneurs to take preemptive advantage in global level. In the original model, only competition was highlighted, but here according to perspective of illegal businesses it is seen from the findings that behind all other motivating factors is the excessive financial gains, but also evading prosecution. The *mediating* force refers to the entrepreneurial actor, which is the person or group that identifies an opportunity, and in organization capabilities for continuous innovation and change..

This actor is central to the dynamics of international exploitation, as the personal characteristic, such as previous experience and risk-taking propensity, affect the lenses through which the entrepreneurs observe and interpret the potential of opportunity, and the actions which follow the process of enacting according to the opportunity. The fourth force, which is the *moderating* force boost the Born Globals ability to seize the opportunity, and it consists of knowledge and network relationships. There is no adjustments in the fourth force.

To original model by Oviatt & McDougall (2005), the external environment factors are added. This is because as discussed in the theoretical framework that the role of the external environment is critical for understanding international entrepreneurial behavior (Szyliowicz & Galvin, 2010). These external environments are interpreted as push and pull forces which accelerate the internationalization. From the findings of the empirical research it is identified that the major factors that pushes the organization to international markets are the excessive competition coming from law enforcement and hostile institutional environment. Then at the same time international markets pull these illegal businesses to internationalize, mainly by luring with institutional failure, meaning that there is imperfection in international official cooperation, legislative and penalty differences exist, and some countries have weaker institutions which enable for example corruption. These all contextual adjustments to model explaining the influencing factors of acceleration of internationalization can be seen in th figure 2.



**Figure 2. Influencing factors of the accelerated internationalization of illegal business**



## **5 DISCUSSION**

In this chapter the most interesting finding of this study related to acceleration of internationalization are discussed. These findings are the ability for continuous innovation and change, hybrid governance structure, and the influence of the push and pull mechanism of external environment. Two first are also identified in previous studies relating to Born Globals (Oviatt & McDougall, 2005; Madsen & Servais, 1997; Knight & Liesch, 2016; Gabrielsson, et al., 2008). This chapter elaborates further these key findings.

### **5.1 Continuous change and innovation ability – the cat-and-mouse game**

Legal businesses do not necessary have the obligation to evolve and internationalize, although the tighten competition forces them as well. The illegal businesses in general operate in hostile environment, where not just the competitors of the same industry want to put them out of business but also the system itself. Although, in some market areas these companies have been able to become part of the market structure, mainly in the less development country where institutions are weaker. Moreover, typically illegal businesses are trying exploit all possible profits while evading prosecution. These factors have made their ability to evolve high-class. Foremost, the businesses must be conducted in a way that it seems legal and minimizes the risks of getting caught. It seems to be very characteristic, that the exploitation of all possible profits and incomes is exaggerated. For this, it is common to find complex organization structures, operation structures, many seemingly different networks of functions, and layers within them. Also, the legal Born Globals rely on the hybrid governance structures, but the reason for the illegal businesses seems to be besides the scarce resources, the intention to evade prosecution. The illegal international business must be under constant change, that it keeps ahead of regulations, system chances, law enforcement, and legal and illegal competitors. Moreover, this correlates with Smith's (1978) findings that illegal businesses display high level of entrepreneurial ability and seize more rapidly and easier new opportunities because they lack the legal and moral constraints that conventional businesses face.

## 5.2 Hybrid governance structure – the curtain of mystery

The willingness to rely on external resources in business networks creates international business opportunities (Coviello & Munro, 1995). Also, the work of United Nations Office for Drug Control and Crime Prevention (2002) confirmed the growing flexibility of organizational structures. The complex network type structure offers illegal businesses a number of advantages: allow them to operate with more secrecy, increases their resilience to risks like arrests, prosecutions, or even killing of key operatives (Enderwick, 2009). So, while the main benefit of hybrid governance structures for legitimate businesses are the flexibility and access to complementary resources, illegal businesses also benefit from the enhanced ability to evade law enforcement.

Networks play important role in improving firms' international capabilities and competitiveness (Loane & Bell, 2006). Indeed, the internationalization processes of smaller firms are driven by the networks they develop (Coviello & Munro, 1995). Furthermore, relying on sourcing option from other firms with complementary competences is common for these illegal international businesses as the internal competence and routines are insufficient to achieve the desired development, and is a maneuver to hide the people behind the business. Sourcing occurs by employing persons with specialized skills, or it may happen in different forms of collaboration with hybrid governance structures, which involve close relationships, cooperative networks, alliances, and illegal-legal interfaces. In addition to business partners, firms may also rely on actors whose main tasks are to provide market knowledge, assist in developing networks and evaluating technological innovations, or provide other specific services. Relational network aid Born Globals in weak institutional environment to gain experience and support, and this shared knowledge helps to form routines of how to build, keep and utilize institutional connections (Cantwell, et al., 2010; Henisz & Zelner, 2005). This kind of complex management and operation structure is visible in the case described by interviewee 4:

The Swedish authorities were informed by German authorities, which stopped Swedish trucks in Germany, of illegal end-life-vehicle (ELY)- export. It was soon found that the car parts came from scrapyards in the northern part of Sweden, Luleå,

and the exporter was a Nigerian man living in Stockholm. The exporter run a cleaning company with one employee, which seemed not to have any real business activities, and he belong to the ELY export network which had connections all over Sweden. The network was mainly ethnic as the members of the network all were Nigerian men. The exporter was also active in the US, mainly concentrating on trucks there. After the incident, Swedish authority revised his personal and the cleaning company's bank account to find out match to the exported car parts, but no money was found. Nevertheless, police found information about his involvement to other types of crime. And he seemed to be part of a narcotic network in Stockholm area as well. As straight linkages to hardcore crime could not be proven, Swedish police dropped the case. The exporter continues to export car parts, although usually he stops for winter months. Also, as the regulative process of the transportation stopped in Germany was succeeded, the exporter could proceed with the export.

In the figure 9. a loose network structure of illegal businesses is presented. The dashed line presents the legal-illegal interface where above is the actors of legal world and below is the illegal underworld. The circles are illegal businesses. In the figure there are three businesses: transporting organization, money laundering organization and narcotic organization. These organizations are interconnected in joint ventures, cooperation contracts or by sourcing contacts. The circles in the organization mean that the onion like structure, where the persons from the outer layers are just hired for the task not knowing more from the organizations operations or the key persons. The arrow within the organization demonstrate the flow of knowledge: the key person withholds more knowledge then the employees in the outer layers. Then the dots are highlighted individual persons, that are key connection person of the organization and the dots outside the organizations are the individual professionals that offer their services. The boxes are legal or legally established companies that cooperate with illegal business, are victims of them (money is laundered through) or are cover companies.

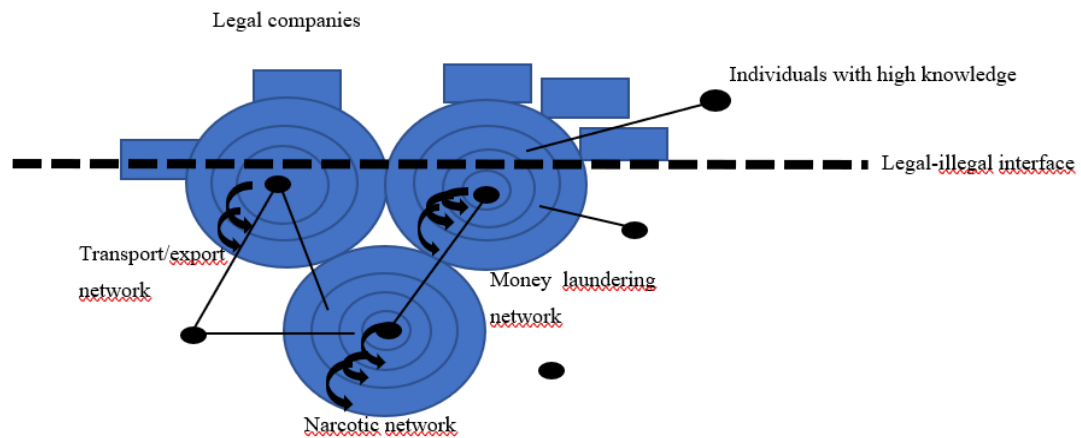


Figure 3. Example of possible hybrid-structure of illegal international business

### 5.3 Pushing and pulling forces of institutional environment

Founding a new venture is a risky business under any conditions, but especially when entrepreneurs have no legitimacy for the kinds of activities they want to found, as being illegal is ultimately not legitimate. From institutional perspective, founders of these organizations appear to be navigating in a hostile environment and in an institutional vacuum (Aldrich & Fiol, 1994).

These external environments are interpreted as push and pull forces which accelerate internationalization. In general, opportunities in external environment pulls and threats coming from external environment pushes illegal businesses to internationalize accelerated. Also, Huang, et al. (2017) found that hostile institutional environment in a home-country can function as push mechanism promoting accelerated internationalization and a desirable external environment can pull organizations towards itself. Interestingly, Galeotti (2005) argued that improved policing seems to force criminals to become more dynamic and innovative to survive. The existence of market or institutional failure facilitate crimes and make their detection more difficult (Enderwick, 2009; Passas, 2003). In addition, studies show that the informal and criminal economy arises when taxes, regulations, etc. are imposed by governments and states that lack the capability to enforce compliance (Loayza, 1996; Torgler & Schneider, 2007; Torgler & Schneider, 2009; Buehn & Schneider, 2009; Dreher, et al., 2009)

Here, as the interest point is to study the influence of external environments on firm's behavior and what causes the accelerated path to internationalize, institutional theory have offered several unique insights into relations between organizations and their environment, and the ways in which organizations react to institutional pressures (DiMaggio & Powell, 1983). There are different ways institutional environment influences organization's behavior. In this study the concentration was on the external institutional pressures that realize in push and pull forces, influencing firms internationalization. It is very clearly visible in the data that the risk of prosecution drives illegal businesses to accelerate their internationalization, while institutional failure in international markets is an opportunity that pull acceleration of internationalization. And so, the external environment is interpreted to behold push and pull forces which accelerate the internationalization. From the findings of the empirical research it is identified that the major factors that pushes the organization to international markets are the excessive competition coming from law enforcement and hostile institutional environment. Then at the same time international markets pull these illegal businesses to internationalize, mainly by luring with institutional failure, meaning that there is imperfection in international official cooperation, legislative and penalty differences exist, and some countries have weaker institutions which enable for example corruption.

## 6 CONCLUSIONS

In this chapter the study will be concluded. This is done by discussing the limitations of the study, evaluating the reliability and the validity, answering the research question, discussing the theoretical and practical contribution, and making suggestions for future research.

### 6.1 Limitations and evaluation of the study

The study concentrated on the illegal businesses which can be recognized to be international businesses. Furthermore, this study concentrated on the influencing factors of acceleration of internationalization, explained through Born Global theory, but in the context of *crime*. Also, it was a conscious decision, not to limit the study in this exploratory phase in certain types of illegal businesses, because before the empirical phase it was impossible to know the outcome of the study, and there would have been risk of outframing something relevant for a pure ignorance and lack of knowledge. And, as the context is mostly unexplored, and the aim was understanding the phenomena in this context the view was kept broad. Accordingly, it must be stated that in the quest for finding generalizations, this exploratory study overlooked the specific characteristics of the certain type of criminal activity, like trafficking narcotics or counterfeit, and provided only a cross-sectional, more generic, view of international illegal businesses.

Also, the lack of first-hand knowledge directly from the entrepreneurs from these illegal international businesses is limiting the study and gives it a certain perspective, which in this case is the interpretations of law enforcement of the illegal context. Reality is there but we interpret it. The results of this study are limited and influenced by the bias of the interviewees, who were all except one law officials. This means that the emphasized importance of institutional environment as an influencing factor of acceleration of internationalization is partly more highlighted because of the law enforcement perspective on the context of this research the illegal businesses.

It is also important for the reader to acknowledge that the research is done in the perspective of business study and so, it does not concentrate on analyzing meanings of specific juristic terms and their usage. This study used business related terms in order to have a dialect with international business research stream, and so the criminal enterprises involved in criminal (and in few cases immoral) business activities, or illegal product or services, are called illegal international businesses. This study acknowledges the immoral nature of the illegal actions, but the main focus was not to concentrate on this issue, so the moral nature of the illegal international businesses is limited from the study.

Due to exploratory nature of this study, and because the context to internationalization is scarcely researched, all the assumptions and findings should be considered with caution. The main reason for this, is that as there is no truly comparative studies, and this study is just touching the peak of the phenomenon, it is hard, if even impossible to see, what deeper, more concentrated, and more longitudinal studies could find, and those studies could change the interpretation of factors and forces profoundly.

## **6.2 Answering the research question**

This research found support that illegal international businesses have some unique features, and that these contextual factors do influence their internationalization. This study also supports the Born Global related findings in the international entrepreneurship research. For example, the success of illegal international business is positively associated with innovativeness, ability to recognize and capture advantages from the new communication technologies, and to do so in a close collaboration with international relationships, that involve frequent, intense, and integrated efforts across nations.

While illegal business internationalize accelerated for very similar reasons then the legal firms, the nature of criminal activities means that secrecy is an equally important factor. In addition, globalization and new technologies have enabled more secure way of communicate and for example launder money (Enderwick, 2009). For these organizations, international markets are as itself a desirable operation ground,

as for them the legislative differences, trade barriers, corruption that typically are seen as an obstacle for internationalization endeavour, are more of an advantage or fertilizers for the business, and at least not an obstacle.

### **6.3 Contributions of the study**

This study supports earlier findings of Born Global research on acceleration of internationalization, draws attention to the role of external environment (institutional environment) as influencing factor of acceleration of internationalization, and brings insight on the firms' abilities of continuous innovativeness and change.

This study highlights the heterogeneity of internationalization motives, processes and the companies involved in internationalization by focusing on the context of international illegal businesses. Further, it supports main findings of the Born Global theories, but also predicts some new insights. This research participates the discussion of the phenomenon of accelerated internationalization, adds reliability to existing research, and gives new perspective by studying the phenomenon in very different context in very different point of view

This research draws attention to the role of external environment as influencing factor of acceleration of internationalization, by viewing push and pull force. Push force meaning the factors that pushes organizations out of the home-country, like in the case of illegal businesses, the law enforcement intents to detect and put off the business. In more general this can be seen has hostile environment pushes the firms to seek for better market place. Then, the pull force means the factors in international or global market that attract the business to internationalize in its early phase. For illegal businesses, these luring factors are for example slow and inoperative international law enforcement cooperation, allowing the actors to evade prosecution, differences in the institutions, like different penalties for crime or legislation, and weak institutions that allow cooperation with the public officers and corruption. These findings can be considered in more general level, with public economic policies, meaning that when trying to create the perfect environment for nurturing global success stories it might be useful to put some stick among the carrots.



All in all, this study also gives some insight to general discussion of illegal businesses by analyzing their accelerated internationalization activities. And maybe public officers, law enforcement, criminologists, or anyone interested in global crime can find this study useful. Maybe even some get new ideas and perspective to the issue because I surely did.

#### **6.4 Suggestions for future research**

As can be seen from the results of this study, there are many similarities between international legal and illegal businesses and in their internationalization as Born Globals. According to this study, both illegal international businesses are affected by the external forces of institutional environment. It would be interesting to research the push and pull forces of external environment further, for example on the legal businesses. Furthermore, it seems that the business model of illegal international businesses are very adaptive to change and also resistance to the negative effects of continuous change. These organizations seem to possess the ability to continuous innovation. In the future it would be interesting to study more specifically what is the business model of these Born Global type of illegal businesses and what are the key capabilities they possess, and how they use and organize them. Also future research should study the influencing factors of acceleration of internationalization on the more specific type of illegal businesses, and try to get straight access to interview directly these illegal actors.

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