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**Title:** International opportunity recognition among small and medium-sized family firms

**Year:** 2011

**Version:**

**Please cite the original version:**

Kontinen, T., & Ojala, A. (2011). International opportunity recognition among small and medium-sized family firms. *Journal of Small Business Management*, 49(3), 490-514. <https://doi.org/10.1111/j.1540-627X.2011.00326.x>

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## ***International Opportunity Recognition among Small and Medium-Sized Family Firms\****

by *Tanja Kontinen and Arto Ojala*

Current research in the field of entrepreneurship emphasizes the importance of opportunity recognition as a key element in the entrepreneurial process. It has been recognized that network ties, activeness and alertness, and prior knowledge are related to how entrepreneurs recognize new opportunities. However, it is unclear how important these factors are when a firm explores opportunities for entry into a foreign market. In this exploratory case study, covering the international opportunity recognition of eight family-owned small and medium-sized enterprises (SMEs), we found that the firms in question mainly recognized international opportunities by establishing new formal ties rather than using existing informal or family ties. The findings also indicated that due to the small size and the flexibility of the management team in family SMEs, these firms were able to react quickly to new international opportunities. However, there was no direct relationship between the prior knowledge of the firms and their international opportunity recognition. In addition, we found that trade exhibitions formed the primary context for the international opportunity recognition of the SMEs in this study. These findings motivate a set of five propositions that may lead to further studies on this topic.

\*The authors would like to thank three anonymous reviewers for their valuable comments and suggestions. In addition, they would like to thank Juha Kansikas and Pasi Tyrväinen for their research assistance. The research has been generously funded by *Marcus Wallenberg Foundation*.

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## 1 **Introduction**

2 The recognition of business opportu- 51  
3 nities is a key aspect of the entrepreneur- 52  
4 ial process (Shane and Venkataraman 53  
5 2000). Accordingly, recent years have 54  
6 witnessed growing interest in opportu- 55  
7 nity recognition among researchers on 56  
8 entrepreneurship. Since opportunities 57  
9 exist both in domestic and international 58  
10 markets (Zahra, Korri, and Yu 2005), 59  
11 scholars in the field of international 60  
12 entrepreneurship have called for more 61  
13 research on opportunity recognition in 62  
14 international settings (Dimitratos and 63  
15 Jones 2005; Ellis 2008; Zahra, Korri, and 64  
16 Yu 2005), suggesting that such research 65  
17 is fundamental for the development of 66  
18 the field (Oviatt and McDougall 2005). 67  
19 However, there has not so far been much 68  
20 empirical research on opportunity recog- 69  
21 nition within international entrepreneur- 70  
22 ship (Zahra, Korri, and Yu 2005). 71

23 Studies on international entrepreneur- 72  
24 ship have commonly focused on rapidly 73  
25 internationalizing firms such as born 74  
26 [2] globals or international new ventures 75  
27 (Dimitratos and Jones 2005) in 76  
28 knowledge-intensive fields (Coviello and 77  
29 Jones 2004). However, international 78  
30 entrepreneurship can be defined on a 79  
31 broader basis as “. . . discovery, enact- 80  
32 ment, evaluation, and exploitation of 81  
33 opportunities—across national borders— 82  
34 to create future goods and services” 83  
35 (Oviatt and McDougall 2005, p. 540). This 84  
36 definition makes no reference to the 85  
37 actual speed of internationalization or to 86  
38 the industry. Scholars have therefore 87  
39 called for research that would go beyond 88  
40 early internationalizing firms (Young, 89  
41 Dimitratos, and Dana 2003) and include a 90  
42 wider variety of enterprises (Coviello and 91  
43 Jones 2004; Dimitratos and Jones 2005). 92

44 The aim of this paper is to respond to 93  
45 the calls referred to above, generating 94  
46 two contributions to the field of interna- 95  
47 tional entrepreneurship. First, we shall 96  
48 examine the international opportunity 97  
49 recognition of *small and medium-sized* 98

enterprises (SMEs); in other words, we 50  
shall look at how such firms recognize 51  
the opportunities available to enter a 52  
foreign market. Second, we shall take 53  
*family-owned SMEs* as the target group 54  
of our empirical study. Family-owned 55  
SMEs, with few exceptions, internation- 56  
alize their activities in a later phase of 57  
their life cycle, and their internationaliza- 58  
tion process is slower than that of firms 59  
with other types of ownership structure 60  
(Graves and Thomas 2008). These two 61  
research gaps—referred to by a number 62  
of scholars (Dimitratos and Jones 2005; 63  
Ellis 2008; Young, Dimitratos, and Dana 64  
2003; Zahra, Korri, and Yu 2005)—must 65  
be addressed if we are to gain a fuller 66  
understanding of the field of interna- 67  
tional entrepreneurship. 68

69 In previous studies, opportunity recog- 70  
nition has mainly been considered 71  
from the perspectives of (1) prior 72  
knowledge (Kirzner 1979; Shane 2000; 73  
Venkataraman 1997), (2) social ties 74  
(Ellis 2008; Ozgen and Baron 2007), 75  
and (3) entrepreneurial activeness and 76  
alertness (Kirzner 1979; Shane 2000). 77  
The present paper combines these three 78  
aspects, assessing their role in *the* 79  
*foreign market entry of family SMEs*. 80  
This will enable us to gain a more 81  
holistic understanding of the issue in 82  
the context of family SMEs—firms that 83  
are often cautious and that tend to have 84  
limited financial resources (Gallo and 85  
Pont 1996). It will also help us in dis- 86  
cussing the actual primary context of 87  
their opportunity recognition. 88

89 In order to address this issue, the fol- 90  
lowing research questions were set in 91  
relation to the firms we studied: (1) what 92  
kinds of network ties were involved in 93  
opportunity recognition? (2) What was 94  
the level of active search and alertness 95  
among the entrepreneurs, in terms of 96  
recognizing the foreign market entry 97  
opportunity? (3) What was the nature/ 98  
extent of the prior knowledge of the 99  
entrepreneur, when the international 100  
opportunity was recognized?

1 This paper is organized as follows: we  
2 shall begin with the theoretical back-  
3 ground, briefly discussing the interna-  
4 tionalization of family firms, and then  
5 introduce some central concepts in  
6 opportunity recognition. Thereafter, we  
7 shall review the literature on interna-  
8 tional opportunity before proceeding to  
9 methodological considerations. The find-  
10 ings of the study will then be presented,  
11 followed by discussion. To conclude, the  
12 contributions and limitations of the study  
13 will be discussed.

### 14 **Internationalization of** 15 **Family SMEs**

16 Internationalization of family SMEs has  
17 been argued to be different from interna-  
18 tionalization of SMEs with different kinds  
19 of ownership structures (Fernandez and  
20 Nieto 2005; Graves and Thomas 2006;  
21 Kontinen and Ojala 2010). This may be  
22 because of their limited growth objectives  
23 (Donckels and Fröhlich 1991), a desire to  
24 avoid risks (Claver, Rienda, and Quer  
25 2008), an unwillingness to borrow from  
26 external sources to facilitate international  
27 expansion (Graves and Thomas 2006), or  
28 to limited financial capital (Gallo and Pont  
29 1996). An important facilitating factor in  
30 the internationalization of family SMEs  
31 has been found to be the ability to make  
32 quick decisions (Gallo and Pont 1996;  
33 Tsang 2001). However, family SMEs do  
34 not monitor the international marketplace  
35 regularly nor do they integrate global  
36 developments into their domestic deci-  
37 sions (Okoroafo 1999).

38 Family SMEs are less likely to form  
39 networks with other businesses than  
40 nonfamily SMEs (Graves and Thomas  
41 2004). It has been argued that this is due  
42

43 to the strong internal ties of family firms,  
44 based on trustful relationships between  
45 family members (Gomez-Mejia, Makri,  
46 and Kintana 2010; Salvato and Melin  
47 2008). Such ties can also be called  
48 “family capital” (Arregle et al. 2007; <sup>3</sup>  
49 Salvato and Melin 2008). Family capital  
50 naturally affects all decisions on the strat-  
51 egy, operations, and administrative struc-  
52 ture of the family firm (Chrisman, Chua,  
53 and Steier 2005). Yet external ties, too,  
54 are important for family firms (Arregle  
55 et al. 2007), especially in the context of  
56 their internationalization, since they help  
57 in obtaining information from outside  
58 the firm.

### 59 **Opportunity Recognition**

60 As acknowledged in several studies  
61 (Baron 2006; Shane 2000; Shane and  
62 Venkataraman 2000), opportunities have  
63 a critical role in the entrepreneurial  
64 process. However, although opportuni-  
65 ties may exist, they can be exploited only  
66 if an entrepreneur recognizes the oppor-  
67 tunity and understands its value for  
68 further business (Shane and Venkatara-  
69 man 2000). Hence, the main point of  
70 interest in research on opportunity rec-  
71 ognition has been why certain individu-  
72 als discover opportunities that others do  
73 not (Kirzner 1979; Shane 2000; Shane  
74 and Venkataraman 2000; Venkataraman  
75 1997). Of particular relevance, here are  
76 Austrian theories<sup>1</sup> according to which the  
77 possession of idiosyncratic information  
78 allows people to see particular opportu-  
79 nities that others do not perceive. Nev-  
80 ertheless, it must be acknowledged that  
81 opportunity recognition is only the initial  
82 phase in a continuing process; it is dis-  
83 tinct from the actual evaluation of the  
84 *feasibility* of the opportunities identified,  
85  
86  
87  
88  
89  
90  
91

44 <sup>1</sup>In the view presented by neoclassical economists (for instance Khilström and Laffont 1979),  
45 there is an assumption of public knowledge indicating that all opportunities must be equally  
46 “obvious” to everyone. In psychological theories, by contrast, human attributes (such as the  
47 need for achievement, willingness to bear a risk, and self-efficacy) lead some people but not  
48 others to become entrepreneurs. The question is explored more fully in for instance Shane  
49 (2000) and Shane and Venkataraman (2000).

1 or active efforts to develop them through 51  
2 new ventures (Ardichvili, Cardozo, and 52  
3 Ray 2003). 53  
4 Information plays a central role in 54  
5 opportunity recognition (Ozgen and 55  
6 Baron 2007; Shane 2000; Shane and Ven- 56  
7 kataraman 2000). Information involving 57  
8 patterns of changing conditions—for 58  
9 instance, changes in technological, eco- 59  
10 nomic, political, social, or demographic 60  
11 circumstances—can be regarded as a 61  
12 source of opportunity recognition (Baron 62  
13 2006). Thus, opportunities come into 63  
14 existence at a certain point because of a 64  
15 certain confluence. Nevertheless, on an 65  
16 *individual* level, cognitive structures 66  
17 defining the identification of opportuni- 67  
18 ties are developed through the previous 68  
19 life experiences of the person in ques- 69  
20 tion. Different individuals have different 70  
21 abilities to “connect the dots” they have 71  
22 perceived (Baron 2006). Hence, opportu- 72  
23 nity recognition can be defined as “the 73  
24 cognitive process (or processes) through 74  
25 which individuals conclude that they 75  
26 have identified an opportunity” (Baron 76  
27 2006, p. 107). 77  
28 Opportunity recognition can be 78  
29 assessed from several perspectives. In 79  
30 this paper, which takes its starting point 80  
31 from earlier studies (Baron 2006; Ellis 81  
32 2008; Ozgen and Baron 2007; Shane 82  
33 2000; Singh 2000), the phenomenon is 83  
34 studied from the perspective of (1) 84  
35 network ties, (2) activeness and the alert- 85  
36 ness in searching for opportunities, and 86  
37 (3) prior knowledge. Each of these per- 87  
38 spectives will be presented below more 88  
39 in detail. Finally, the phenomenon will 89  
40 be placed in an *international* context by 90  
41 means of a short overview of the studies 91  
42 concerning international opportunity 92  
43 recognition. 93  
44  
45 **Network Ties** 94  
46 It has been suggested that an entre- 95  
47 preneur’s contacts with other persons 96  
48 (Crick and Spence 2005; Ellis 2008; 97  
49 Ozgen and Baron 2007; Singh 2000) are 98  
50 important in opportunity recognition: the 99  
51 extent of an entrepreneur’s social 100  
52 network is positively related to opportu-  
53 nity recognition. Social ties serve as con-  
54 ducts for the spread of information  
55 concerning new opportunities (Burt  
56 2004; Granovetter 1973), and the ability  
57 to recognize novel opportunities may be  
58 determined by the reach and abundance  
59 of one’s ties with others. An interesting  
60 point in this regard is that information on  
61 opportunities tends to arrive via links  
62 from separate social clusters (Burt 2004).  
63 Ozgen and Baron (2007) discovered  
64 that the greater the extent of social ties  
65 with mentors and informal industry net-  
66 works, the more positive were the effects  
67 on opportunity recognition. However,  
68 social relationships with family members  
69 and close friends did not increase the  
70 ability to recognize new opportunities. It  
71 was surmised that this was due to the  
72 lower industry-specific knowledge and  
73 experience of family members and close  
74 friends. In addition to social ties, which  
75 commonly refer to nonformal relation-  
76 ships, entrepreneurs may have formal  
77 ties with other business partners or insti-  
78 tutions (Coviello 2006; Johanson and  
79 Mattsson 1992; Ojala 2009); these, too,  
80 serve as an important source of knowl-  
81 edge related to new opportunities.  
82 In addition to what have been  
83 described, professional forums (Ozgen  
84 and Baron 2007) and trade exhibitions  
85 (Ellis 2008; McAuley 1999; Meyer and  
86 Skak 2002; Reid 1984) have been found to  
87 be sources for information and social ties,  
88 creating the potential for entrepreneurial  
89 opportunity recognition. However, the  
90 role of exhibitions as a source of social  
91 ties is complex. According to Ellis (2000),  
92 in the context of exhibitions, the commu-  
93 nication of opportunities cannot be  
94 uniquely attributed to a buyer, a seller, or  
95 a third party (such as a government  
96 agency). Hence, Ellis (2000) suggests that  
97 it is appropriate to treat exhibitions as a  
98 special kind of initiation scenario. The  
99 particular nature of exhibitions is high-  
100 lighted in the studies of Reid (1984) and

1 McAuley (1999), who found that partici- 51  
2 pation in international exhibitions 52  
3 generated more information about inter- 53  
4 national opportunities than any other 54  
5 information source. Trade exhibitions 55  
6 and similar forums where people share 56  
7 common interests are a context with a 57  
8 dense network: the proportion of poten- 58  
9 tial network ties is high (Coviello 2006). 59  
10 Such a context facilitates access to impor- 60  
11 tant information, since persons in the 61  
12 network can easily share essential knowl- 62  
13 edge (compare Burt 2000). 63

14  
15 **Activeness and Alertness in the**  
16 **Search for Opportunities**  
17 The *active role of entrepreneurs* in the 64  
18 search for new information is important 65  
19 in opportunity recognition (Baron 2006; 66  
20 Hills and Schrader 1998). Hills and 67  
21 Schrader (1998) found that for entrepre- 68  
22 neurs, an active search for opportunities 69  
23 through personal contacts was regarded 70  
24 as more beneficial than the identification 71  
25 of opportunities from public information 72  
26 sources such as magazines and newspa- 73  
27 pers. However, some studies suggest that 74  
28 entrepreneurs, in many cases, recognize 75  
29 valuable information by accident without 76  
30 actively searching for opportunities 77  
31 (Ardichvili, Cardozo, and Ray 2003; 78  
32 Kirzner 1997). Thus, Shane (2000) found 79  
33 that none of the case firms in his study 80  
34 actively sought out opportunities prior to 81  
35 their discovery. Instead, the opportunity 82  
36 was recognized accidentally when the 83  
37 entrepreneur heard about some product 84  
38 from a person involved in its develop- 85  
39 ment process. These considerations lead 86  
40 to the activity level in the search for 87  
41 opportunities being categorized as either 88  
42 *active* or *passive* (Ardichvili, Cardozo, 89  
43 and Ray 2003; Baron 2006). 90  
44 In the passive search, where opportu- 91  
45 nities are recognized accidentally, 92  
46 researchers stress the role of alertness in 93  
47 opportunity recognition. In such a case, 94  
48 individuals are receptive to opportunities 95  
49 but do not engage in a systematic search 96  
50 for them (Ardichvili, Cardozo, and Ray 97  
2003; Kirzner 1997). According to 98  
51 Kirzner (1997), a systematic search is 99  
52 likely to be for a piece of missing infor- 100  
53 mation, whereas a discovery includes the 1  
54 surprise that accompanies the recogni-  
55 tion of opportunities that were readily  
56 available. Factors contributing to a high  
57 level of alertness are related to the cog-  
58 nitive capacities of individuals such as  
59 high intelligence and creativity (Shane  
60 2000), or optimism (Krueger and Brazeal  
61 1994). However, sometimes alertness  
62 does indeed occur in a case in which a  
63 firm conducts an active search leading to  
64 recognition of a totally unexpected solu-  
65 tion; hence, alertness has a central role in  
66 opportunity recognition, whether or not  
67 an active search is involved (Hohenthal,  
68 Johanson, and Johanson 2003). 69  
70  
71 **Prior Knowledge**  
72 Prior knowledge in association with  
73 high-level cognitive capabilities is impor-  
74 tant in identifying and pursuing an  
75 opportunity (Baron 2006; Shane 2000;  
76 Shane and Venkataraman 2000). The  
77 individual cognitive structures defining  
78 the identification of opportunities are  
79 developed through the previous life  
80 experiences of individuals. Venkatara-  
81 man (1997) referred to this as a “knowl-  
82 edge corridor,” which allows the  
83 individual to recognize certain opportu-  
84 nities but not others. Sarasvathy, Simon,  
85 and Lave (1998) also noted that different  
86 individuals discovered different opportu-  
87 nities, according to their particular way  
88 of gathering and processing information.  
89 Three major dimensions of prior  
90 knowledge, namely *knowledge of*  
91 *markets*, *knowledge of ways to serve the*  
92 *markets*, and *knowledge of customer*  
93 *problems*, have been regarded as impor-  
94 tant for entrepreneurial discovery (Shane  
95 2000). In addition, *current jobs*, *work* 5  
96 *experience* (Aldrich 1999), and *techno-*  
97 *logical knowledge* (Park 2005) are consid-  
98 ered to be the general sources in  
99 facilitating opportunity recognition. In an  
100 international setting, “the knowledge of

1 opportunities or problems is assumed to  
2 initiate decisions” for foreign market  
3 entry (Johanson and Vahlne 1977, p. 27).  
4 Such internationalization knowledge can  
5 be divided into *general knowledge* and  
6 *market-specific* knowledge. General  
7 internationalization knowledge is objec-  
8 tive and easily acquired, for example,  
9 through the media, whereas market-  
10 specific knowledge consists of earlier  
11 experiences in a particular market (Johan-  
12 son and Vahlne 1977). It has been found  
13 that experiences gained in foreign  
14 markets have a positive effect on oppor-  
15 tunity recognition and on the speed of  
16 internationalization (Oviatt and McDou-  
17 gall 1995, 2005; Reuber and Fischer  
18 1997).

### 19 **International Opportunity** 20 **Recognition**

21 Opportunity recognition plays a  
22 central role in the internationalization of  
23 firms. In the international context, oppor-  
24 tunities are recognized in foreign markets  
25 and exploited by using resources from  
26 diverse national locations (Dimitratos and  
27 Jones 2005; Ellis 2008; Oviatt and McDou-  
28 gall 2005; Zahra, Korri, and Yu 2005). Ellis  
29 (2008, pp. 3–4) defines international  
30 opportunity as “the chance to conduct  
31 exchange with new foreign partners.”  
32 Exchanges can be conducted with cus-  
33 tomers, distributors, licensees, franchi-  
34 sees, contract manufacturers, joint  
35 venture partners, and so on (Ellis 2008).  
36 Zahra, Korri, and Yu (2005) describe  
37 international opportunity recognition as  
38 an iterative process whereby the entre-  
39 preneur revises his or her concept several  
40 times, on the basis of intuition, formal and  
41 informal feedback, and the results of  
42 errors. They also emphasize that entre-  
43 preneurs make their foreign market entry  
44 decisions by utilizing both rational and  
45 nonrational elements.

46 There is no doubt that opportunity  
47 recognition is related to success in inter-  
48 national markets and to the speed  
49 of internationalization (Dimitratos and

Jones 2005; Hohenthal, Johanson, and  
50 Johanson 2003; Oviatt and McDougall  
51 2005). Opportunities in foreign markets  
52 can be recognized by using competencies  
53 such as networks and previous experi-  
54 ences that are unique to entrepreneurs  
55 (McDougall, Shane, and Oviatt 1994).  
56 Ellis (2008) recognized four different  
57 means for recognizing opportunities in a  
58 foreign market, namely: (1) formal  
59 searches, (2) participation in international  
60 trade fairs or exhibitions, (3) social ties,  
61 and (4) responses to advertisements.  
62 Hence, not all opportunities arose from  
63 existing networks, although networks  
64 and social ties played an important role in  
65 international opportunity recognition.  
66 For instance, the foreign market selection  
67 might be grounded on the opportunity-  
68 seeking behavior of entrepreneurs. As  
69 Ojala (2008) found, business opportuni-  
70 ties (such as demand and a market poten-  
71 tial for niche products) constituted the  
72 main reason for managers of Finnish soft-  
73 ware firms to decide to enter the Japanese  
74 market. Thus, awareness of opportunities  
75 in foreign markets can be an initiator for  
76 foreign market entry (Dimitratos and  
77 Jones 2005). On the other hand, limited  
78 domestic markets can also be a reason for  
79 entrepreneurs to search for opportunities  
80 in international markets. Crick and  
81 Spence (2005) found that most of the case  
82 firms in their study internationalized  
83 rapidly because of market opportunities  
84 overseas being greater than those in  
85 domestic markets. Hence, firms can  
86 expand their international operations  
87 through a combination of searches and  
88 accidental opportunity recognitions  
89 (Hohenthal, Johanson, and Johanson  
90 2003).

### 91 **Methodology**

92 The study reported here utilized a  
93 qualitative approach. Such an approach  
94 is suitable when the aim is to describe  
95 research objects holistically and when  
96 the research concerns real-life situations.  
97 According to Creswell (1997, p. 15),  
98  
99

1 qualitative research is “an inquiry  
2 process of understanding based on dis-  
3 tinct methodological traditions of inquiry  
4 that explore a social or human problem.  
5 The researcher builds a complex, holistic  
6 picture, analyzes words, reports detailed  
7 views of informants, and conducts the  
8 study in a natural setting.” Thus, we used  
9 a multiple case study methodology  
10 similar to the approaches introduced by  
11 Eisenhardt (1989) and Yin (1994). This  
12 enables an in-depth investigation and the  
13 explanation of cause-and-effect relation-  
14 ships. It also makes it possible to use  
15 replication logic, so that the researchers  
16 are able to identify the subtle similarities  
17 and differences within a collection of  
18 <sup>6</sup> cases (Brown and Eisenhard 1997; Eisen-  
19 hardt 1989; Yin 1994). The case study  
20 method is relevant in a situation where  
21 the study covers a real-life environment  
22 in which an action such as opportunity  
23 recognition occurs (Yin 1994). In this  
24 connection, Shane (2000, p. 453) argues  
25 that the case study method allows the  
26 investigation of how opportunity recog-  
27 nition operates in a situation where “all  
28 of the relevant behaviors cannot be  
29 manipulated through experimental  
30 design.” In addition, the approach is con-  
31 sistent with numerous recent studies  
32 concerning international entrepreneur-  
33 ship and opportunity recognition  
34 research (Coviello 2006; Coviello and  
35 Munro 1997; Crick and Spence 2005;  
36 Ojala 2008, 2009; Shane 2000).

37 The phenomenon of international  
38 opportunity recognition was studied in  
39 the context of SMEs for the principal  
40 reason that opportunity recognition is  
41 more transparent in such enterprises.  
42 Hence, we followed Yin (1994) in select-  
43 ing cases in which the phenomenon  
44 studied was transparently observable.  
45 The dimension of family ownership also  
46 allows us to recognize how firms with  
47 limited resources recognize international  
48 opportunities. It should further be noted  
49 that the selection of the firms for inves-  
50 tigation was based on an overall theoretic-  
51 al perspective, as recommended in the  
52 study of Eisenhardt (1989), rather on a  
53 random sampling methodology.

54 These various considerations led us to  
55 collect data from *eight selected Finnish*  
56 *family SMEs in the manufacturing sector*.  
57 As can be seen in Table 1, the range of  
58 products in the case firms is fairly wide,  
59 but all of the firms manufacture material  
60 goods. We chose market entry to the  
61 French market as the context for interna-  
62 tional opportunity recognition. This  
63 allowed us to investigate opportunity rec-  
64 ognition in a context that would be  
65 uniform for all the firms involved in the  
66 study (compare Shane 2000), bearing in  
67 mind that laws, regulations, and customs  
68 might vary in different markets (Shrader,  
69 Oviatt, and McDougall 2000). In addition,  
70 it seems that France is a somewhat diffi-  
71 cult market for Finnish family SMEs to  
72 enter despite its market potential (Finpro  
73 2008), and this would underline the  
74 importance of opportunity recognition in  
75 this context.

76 All the case firms had fewer than 250  
77 employees at the time of entry to the  
78 French market. Thus, they fulfilled the  
79 criteria of the Finnish government and  
80 the EU for classification as SMEs (<sup>7</sup> Orga-  
81 nization for Economic Co-operation and  
82 Development 2003). As far as the defini-  
83 tion of a *family firm* is concerned, it can  
84 be defined as one in which the family  
85 controls the largest block of shares or  
86 votes, has one or more of its members in  
87 key management positions, and has  
88 members of more than one generation  
89 actively involved within the business.  
90 This definition is based on the two crite-  
91 ria of ownership and management pre-  
92 sented, for instance, by Graves and  
93 Thomas (2008), and on the factor of con-  
94 tinuity (see for instance Zahra 2003).  
95 Table 1 summarizes the key information  
96 on the case firms. The firms were estab-  
97 lished between 1876 and 1988. The  
98 number of personnel varies from 18 to  
99 249 employees, the average being 106  
100 employees.



**Table 1**  
**Information on the Case Firms**

	<b>Number of Employees</b>	<b>Year of Establishment</b>	<b>Start of Internationalization</b>	<b>Industry Segment</b>	<b>Operations in France</b>
Firm A	249	1876	1970s	Industrial furniture	1982 export 1984 subsidiary
Firm B	18	1923	1929	Wooden toys	1968 export
Firm C	200	1967	1979	Machines for forestry and agriculture	1997 subsidiary
Firm D	20	1973	1990s	Log houses	1998 export
Firm E	140	1972	1980s	Packaging material	2002 representative 1989 export 2006 production subsidiary
Firm F	40	1988	1991	Pipettes and analyzing systems	1991 production/sales subsidiary
Firm G	30	1978	1980	Fire safety equipment	1990 import
Firm H	150	1955	1990s	Sauna stoves and equipment	1991 export 1993 export

1 Multiple sources of information were 51  
2 used to gather data from each case firm. 52  
3 The main form of data collection was a 53  
4 semi-structured interview, guided by a list 54  
5 of topics. The interviews were conducted 55  
6 by one of the authors, a researcher who 56  
7 was fluent in English and French, and 57  
8 who had experience of living in French- 58  
9 speaking countries (and hence cultural 59  
10 knowledge and understanding). The 60  
11 interviewer followed the guidelines set 61  
12 out by Huber and Power (1985) to mini- 62  
13 mize the risk of providing inaccurate or 63  
14 biased data. Altogether, 16 semi- 64  
15 structured, open-ended interviews lasting 65  
16 60–90 minutes were conducted with two 66  
17 respondents from each firm, in the firm's 67  
18 headquarters in Finland and/or its 68  
19 subsidiary/agency in France. The inter- 69  
20 viewees selected consisted of executives, 70  
21 managing directors, subsidiary managers, 71  
22 managers of international affairs, and 72  
23 those sales administrators who had the 73  
24 greatest in-depth knowledge of interna- 74  
25 tionalization and operations in France. 75  
26 These professions correspond to the 76  
27 informants commonly utilized in the field 77  
28 of international entrepreneurship (see 78  
29 Coviello and Jones 2004). By selecting the 79  
30 most knowledgeable persons and by 80  
31 using two informants from each firm, we 81  
32 aimed to get the most relevant knowledge 82  
33 and to counteract the biases of individual 83  
34 opinions (Huber and Power 1985). 84  
35 Having two interviews from each case 85  
36 firm also made it possible to ask more 86  
37 detailed questions of the second inter- 87  
38 viewee, following on from the first inter- 88  
39 view. Working in this way improved the 89  
40 validity of the data collected. 90  
41 In the interview process, semi- 91  
42 structured, open-ended interviews were 92  
43 conducted. The approach made it pos- 93  
44 sible to ask "main" questions and then to 94  
45 pose further, more detailed questions 95  
46 (Yin 1994). The interviewees were first 96  
47 asked to describe their business in 97  
48 general, thereafter their operations 98  
49 related to internationalization as a whole, 99  
50 and from that the business connected to 100  
internationalization in France in particu-  
lar. Based on general information on the  
entry to the French market, more  
detailed questions were then asked  
about the following issues: (1) the firm's  
activity in pursuit of entry to France, (2)  
important events, persons, firms, or orga-  
nizations that influenced the entry to  
France, and (3) the firm's knowledge and  
experiences concerning the French  
market. All these questions were devel-  
oped according to the guidelines issued  
by Yin (1994), with the aim of making  
the questions as nonleading as possible.  
This encouraged the interviewees to give  
authentic answers to the interview ques-  
tions. Because the interviews focused on  
the entrepreneurs' past experiences, we  
followed the guidelines for retrospective  
studies issued by Miller, Cardinal, and  
Glick (1997) and by Huber and Power  
(1985).  
All the interviews were digitally  
recorded and transcribed verbatim. A  
second listening was conducted to  
ensure correspondence between the  
recorded and the transcribed data. The  
complete case reports were sent back to  
the interviewees, and any inaccuracies  
they noticed were corrected. In addition,  
e-mail communication was used to  
collect further information and to clarify  
any inconsistent issues. To improve the  
validity of the study, we collected and  
analyzed many types of secondary infor-  
mation (such as websites and annual  
reports). By comparing the interview  
data with other documents from the case  
firms, we carried out triangulation on the  
information (Bonoma 1985; Miles and  
Huberman 1994). This also provided a  
more complete picture of the case firms  
under study (Bonoma 1985).  
The unit of analysis for this study was  
the recognition of the opportunity to  
enter the French market. Based on the  
interviews and written documents, we  
arrived at a detailed case history of each  
firm, in line with Pettigrew (1990), who  
suggests that organizing incoherent

1 aspects in chronological order is an 51  
2 important step in understanding the 52  
3 causal links between events. Thereafter, 53  
4 on the basis of the interviews, we identi- 54  
5 fied the unique patterns of each case 55  
6 and categorized the patterns observed 56  
7 under the subtopics derived from the 57  
8 three research questions we had set for 58  
9 the study. In addition, we used checklists 59  
10 and event listings to identify critical 60  
11 factors related to opportunity recognition 61  
12 (Miles and Huberman 1994). To ensure 62  
13 the accuracy of the coding of the categor- 63  
14 ies, we used two senior researchers to 64  
15 validate the findings. We provided them 65  
16 with access to the case transcripts, and 66  
17 they independently classified the cases 67  
18 into categories manifesting the “active- 68  
19 ness” and “alertness” of the case firms. 69  
20 The procedure was blind, since they did 70  
21 were unaware of the objectives of the 71  
22 study; we merely described to the 72  
23 researchers how we defined the terms 73  
24 “activeness” and “alertness.” Their cat- 74  
25 egorization was 100 percent consistent 75  
26 with our interpretations. 76  
27  
28 **Profiles of the Case Firms** 77  
29 *Firm A*, which provides office equip- 78  
30 ment and manufactured products made 79  
31 of sheet metal, was established in 1876. 80  
32 For almost the first 100 years, it was a 81  
33 domestic company. During its history, it 82  
34 has manufactured several products, 83  
35 many of which have been replaced by 84  
36 cheaper products produced in low-cost 85  
37 countries. Over the last 50 years, Firm A 86  
38 has bought several smaller companies, 87  
39 some successfully and others less so. It is 88  
40 now in its fifth generation, with its main 89  
41 growth and internationalization having 90  
42 taken place during the fourth generation. 91  
43 In 1970, Firm A started exporting to the 92  
44 Nordic countries. In 1980, exporting was 93  
45 expanded to Germany; and in 1982, 94  
46 export to France was launched. This led 95  
47 to the establishment of the subsidiary in 96  
48 France in 1984. 97  
49 *Firm B*, which produces wooden toys, 98  
50 was established in 1923. Currently, the 99  
third generation is in charge of the busi- 100  
ness. The internationalization of Firm B  
began as early as 6 years from its estab-  
lishment (for instance in 1929, when it  
exported to Sweden and England). In  
1947, export to Argentina was launched,  
followed by new markets in 1960 (the  
United States, Denmark, Norway, and  
Iceland). The entry to France occurred in  
1968, and the same distributor is still  
selling the firm’s products in France. The  
product range of Firm B has been very  
similar throughout its history: traditional,  
educational wooden toys, which have  
hardly changed at all. Firm B still has  
exporting as its only mode of foreign  
operation, and it has only a small share  
of the market in all the countries  
exported to.  
*Firm C*, founded in 1967, and cur-  
rently run as a business by the second  
generation of the family, manufactures  
machines for forestry and agriculture.  
The internationalization of the firm  
began at the end of the 1970s with  
exports to Sweden, Norway, and  
Denmark. Germany was entered in 1988  
and Austria in 1995, both with distribu-  
tors taking care of the exporting. France  
was entered in 1997 in the form of a  
subsidiary. Nonetheless, another product  
of Firm C was taken to France 1 year  
later via a distributor.  
In the case of *Firm D*, which manu-  
factures log houses, internationalization  
started 21 years after its establishment  
(1973), and continued in 1994 with the  
export of log houses to Germany and  
Japan. The French trade started in 1998  
in the form of exporting. It was intended  
that a network of distributors would be  
formed, but the attempts to find reliable  
people failed. Hence, a representative  
office was established in France in 2002  
with a view to facilitating administration.  
The story of *Firm E*, currently run by  
the second generation, began in 1972.  
This firm manufactures different kinds of  
packaging materials. Poland was its first  
export market (1985). The firm exported

1 to 10 European countries and had a sub- 51  
2 subsidiary in Poland before it entered France 52  
3 in 1989. The operational mode in the 53  
4 French market changed to a joint venture 54  
5 involving a production plant in 2006. 55  
6 During the time of the second generation 56  
7 of the business (which is 100 percent 57  
8 owned by the son of the founder), the 58  
9 internationalization of the firm has been 59  
10 very intense. It now has subsidiaries in 60  
11 14 countries and sales in over 60 coun- 61  
12 tries worldwide. 62  
13 *Firm F* was launched in 1988 by an 63  
14 experienced entrepreneur. This firm pro- 64  
15 duces various products including 65  
16 pipettes and analyzing systems. It has 66  
17 always been very intense in its innova- 67  
18 tions and patenting policy. It is one of 68  
19 the leading companies in its field in the 69  
20 world. The first foreign market, entered 70  
21 in 1991 in the form of a production sub- 71  
22 subsidiary, was France. For this entrepre- 72  
23 neur, internationalization was fairly easy, 73  
24 being based on strong international 74  
25 industrial relationships. 75  
26 *Firm G*, which was founded in 1978, 76  
27 produces fire safety equipment. This 77  
28 industry is highly traditional and also 78  
29 extremely diversified, since different 79  
30 countries have different kinds of fire 80  
31 safety equipment. In the 1980s, Firm G 81  
32 started exporting to Norway, Sweden, 82  
33 Germany, and Estonia. Exports to France 83  
34 were launched in 1991. This was pre- 84  
35 ceded by imports from France, starting in 85  
36 1990. 86  
37 *Firm H* is a producer of sauna stoves 87  
38 and sauna equipment in general. The 88  
39 firm is now in its third generation as a 89  
40 family business, having been founded in 90  
41 1955. At the beginning of the 1990s, Firm 91  
42 H started exporting to several 92  
43 markets—10 European countries alto- 93  
44 gether, including the Nordic countries 94  
45 and Germany—before it launched 95  
46 exports in the French market. 96  
47  
48 **Findings** 97  
49 This section will present how the 98  
50 opportunity to enter France was recog- 99  
nized in the case firms. On the basis of 100  
previous literature and the interview  
data, this section will divide the findings  
into three categories of factors affecting  
the firms' international opportunity rec-  
ognition, as detailed below.  
First of all, international opportunity  
recognition will be considered from the  
perspective of network ties, with a divi-  
sion into *formal ties* (with other firms),  
*informal ties* (with friends) (Coviello and  
Munro 1997; Ojala 2009), and *family ties*  
(with family members) (Ozgen and  
Baron 2007). Second, the level of *active-*  
*ness* and *alertness* of the firms in their  
international opportunity recognition  
will be assessed as *high*, *medium*, or *low*.  
The level of activeness is *high* if a firm  
proactively planned to enter the French  
market. If a firm actively sought out new  
contacts for internationalization but had  
not actively considered opportunities in  
France, the firm can be considered as  
having *medium*-level activeness. A *low*  
level of activeness means that a firm did  
not do anything to enter new markets. In  
the case of *alertness*, a firm's alertness  
was *high* if it immediately reacted to an  
opportunity to enter the French market.  
*Medium*-level alertness means that a firm  
did not immediately react to new percep-  
tions, but after consideration or a deci-  
sion process, it seized the opportunity to  
enter the French market. If a firm did not  
react to an opportunity to enter France,  
its alertness can be regarded as *low*.  
Third, the *prior knowledge* of the case  
firms will be discussed in relation to the  
industry concerned, the firm's interna-  
tionalization, and its market-specific  
knowledge of the French market (Johan-  
son and Vahlne 1977; Ozgen and Baron  
2007; Shane 2000). At the end of the  
section, the primary context in which the  
opportunity to enter a foreign market  
was recognized will be discussed.  
Due to space limitations, the findings  
will be presented by grouping together  
the firms that had similar elements in  
their opportunity recognition rather than

1 by describing each individual case firm  
2 separately. The findings are summarized  
3 in Table 2. It should be noted that the  
4 classification is bound to be subjective to  
5 a certain extent, given the qualitative  
6 method applied.

#### 8 **Network Ties Used by the** 9 **Case Firms**

10 As Table 2 illustrates, the network ties  
11 involved in international opportunity  
12 recognition were *formal ties with other*  
13 *firms* and *informal ties with friends*. It is  
14 interesting that family ties with family  
15 members were not relevant to opportu-  
16 nity recognition in these case firms.  
17 Formal ties were the most important ties  
18 in the opportunity recognition of all the  
19 case firms, with the exception of Firm F.  
20 In the case of Firm F, the entrepreneur  
21 had previous experience of the French  
22 market based on his previous firm. This  
23 entrepreneur was able to utilize net-  
24 works formed during the firm he had  
25 been with before. Thus, he was able to  
26 recognize the opportunity to enter  
27 France through a good friend who had  
28 been a previous business partner there.  
29 The entrepreneur and the French friend  
30 had simultaneously suggested that a  
31 French production subsidiary should be  
32 established to carry on their previous  
33 business. Hence, in Firm F, the most  
34 important tie in the opportunity recogni-  
35 tion was an informal one.

36 In all the other case firms, formal ties  
37 played a central role in the opportunity  
38 recognition. It is worth noting that in  
39 four of the seven cases these formal ties  
40 were formed at international trade exhi-  
41 bitions. These firms (A, B, E, and H) had  
42 participated in trade exhibitions to look  
43 for suitable business partners, but none  
44 of them were concentrating on a search  
45 for French partners solely. Eventually,  
46 the opportunity to enter the French  
47 market became an obvious route for  
48 these firms, when they formed some  
49 potential French ties with people who  
50 showed interest in their products at the

trade exhibitions. The representative of  
Firm B described it in the following way:

Trade exhibitions are extremely  
important for us, that is where all  
our contacts are made. And that is  
where we also met our future  
French agent. We already had  
business in some countries in  
Central Europe, and had in mind  
that France might have potential  
as well. And we have found  
dozens of new French candidates  
ever since in those trade exhibi-  
tions. Last year it was our 41st  
time there . . .

In Firms D and G, the way they encoun-  
tered the formal tie was somewhat  
unstructured. The representative of Firm  
D met the future business partner by  
coincidence, when a French entrepre-  
neur living in Finland met the represen-  
tative in one of its log houses (this being  
the product that Firm D exported to  
France). The entrepreneur was keen on  
starting to export the log houses to  
France because he saw France as having  
a great deal of potential for this kind of  
product. In Firm G, the opportunity to  
enter France was perceived thanks to a  
French supplier from whom Firm G  
imported. At one point, the business  
partner in France asked if the firm would  
consider exporting some pieces to  
France, and this was in fact the main  
context for the opportunity recognition:  
an existing, formal tie in the French  
market. Firm C, by contrast, had a more  
structured way of perceiving the oppor-  
tunity to operate in France. It made use  
of a formal tie, hiring a consultant who  
had lived in France for a long period to  
conduct market research. It was only in  
Firms G and F that the recognition of the  
opportunity for market entry was facili-  
tated by network ties that already  
existed. In the other case firms, new ties  
were established and these facilitated  
their opportunity recognition.

**Table 2**  
**Opportunity Recognition in the Case Firms (H = high, M = medium, L = low)**

Firm	Network Ties			Activeness			Alertness			Prior Knowledge			Primary Context			
	Formal	Informal	Family	High	Medium	Low	High	Medium	Low	Industry	Internationalization	French market	Participation at exhibitions	Unsolicited agreement	Formal searches	Informal ties
Firm A	X						X			H	M	H	X			
Firm B	X			X			X			H	M	L	X			
Firm C	X		X				X			H	M	L			X	
Firm D	X					X				H	L	L		X		
Firm E	X				X		X			H	H	H	X			
Firm F	X	X			X		X			H	H	H				X
Firm G	X					X				M	M	L		X		
Firm H	X				X		X			H	M	L	X			

1 **Activeness and Alertness of the**  
2 **Case Firms in the Search for**  
3 **Opportunities**

4 The activeness and alertness shown  
5 in the international opportunity recog-  
6 nition has been classified as high,  
7 medium, or low based on the interview  
8 data (see Table 3 for more detailed  
9 information on each firm's activeness  
10 and alertness). Only Firm C is classified  
11 as "high" in its activeness. Firm C con-  
12 ducted market research, since it proac-  
13 tively planned to enter the French  
14 market. However, it wanted initially to  
15 explore whether the French market  
16 truly had potential for its product. In  
17 Firms A, B, E, F, and H, the level of  
18 activeness is considered "medium."  
19 Firms A, B, E, and H actively partici-  
20 pated in trade exhibitions involving  
21 their industry. However, they did not  
22 actively search for French opportunities  
23 by any other means, and when they  
24 attended the exhibitions, they sought  
25 out new contacts irrespective of the  
26 country the contacts might have origi-  
27 nated from. In Firm F, the level of  
28 activeness is also regarded as medium,  
29 since the entrepreneur did not need to  
30 be active in persuading his French  
31 friend and previous business partner to  
32 launch a subsidiary in France. The  
33 entrepreneur in Firm F described the  
34 decision to enter the French market as  
35 follows:

36  
37 Well, it happened by itself,  
38 because we were such good  
39 friends. I don't even know who  
40 asked first, me or him. Maybe he  
41 was the one. It was so natural that  
42 he would set up the subsidiary  
43 when I set up my enterprise in  
44 Finland.

45  
46 In Firms D and G, the level of active-  
47 ness is regarded as low, since the staff in  
48 these firms did not do anything them-  
49 selves with a view to entering new  
50 markets. They entered the French market

51 because their products were ordered,  
52 without any action on their side.  
53 However, regarding the level of *alert-*  
54 *ness*, it was high in these inactive Firms  
55 D and G, since they immediately grabbed  
56 the opportunity to enter the French  
57 market despite having no existing plans  
58 to enter that market. In Firms A and C,  
59 too, the level of alertness can be  
60 regarded as high, since they immediately  
61 reacted to possibilities offered by exter-  
62 nal parties. For instance, in Firm C, the  
63 entrepreneur quickly reacted to the offer  
64 made by Finpro (Finnish export promo-  
65 tion organization) that a Finnish woman  
66 who had been their employee, but who  
67 was unemployed at that point, could  
68 immediately begin the process of estab-  
69 lishing a subsidiary in France.

70 In the remaining firms, B, E, F, and H,  
71 the level of alertness is considered  
72 medium. These firms did not immedi-  
73 ately react to new perceptions but finally  
74 seized the opportunity to enter France  
75 without any lengthy debates or decision  
76 processes. The entrepreneur of Firm H  
77 had made some interesting contacts at  
78 international trade exhibitions, but it was  
79 only when these French persons con-  
80 tacted Firm H and insisted on selling  
81 their products in France that they  
82 grabbed the opportunity. Hence, they  
83 were inactive in developing the ties they  
84 made at trade exhibitions.

85 Most of the entrepreneurs (in Firms B,  
86 D, E, G, and H) recognized that the flexi-  
87 bility and small management teams of  
88 family firms enabled them to be alert and  
89 reactive to international opportunities.  
90 The owner-manager of Firm D put it this  
91 way:

92  
93 We had no plan to go to France. My  
94 colleague just met this French guy  
95 by coincidence. He said that he  
96 wanted to sell our loghouses in  
97 France. [. . .] Well, then I went to  
98 see him and said okay, just go  
99 ahead and start selling our log-  
100 houses. [. . .] Making quick deci-

**Table 3**  
**Activeness and Alertness in the Case Firms:**  
**Personalized Examples**

	Activeness	Alertness
High	Firm C: <i>"We were interested in the French market and did some market research in France through a local consultant. We realized that there was huge market potential and started to plan the best way to enter the market."</i>	Firm A: <i>"The cooperation with the French distributor started immediately. They had such good distribution channels and the partner seemed so good that the cooperation was launched immediately after their first contact."</i> Firm C: <i>"This Finnish woman living permanently in France offered to establish a subsidiary for us and we grabbed the opportunity right away."</i> Firm D: <i>"He [the person met coincidentally] said that he wanted to sell our loghouses in France. [ . . . ] Well, then I went to see him and said okay, just go ahead and start selling our loghouses."</i> Firm G: <i>"We had no plans to export to France, but since they asked, we said yes right away."</i>
Medium	Firm A: <i>"We had launched a new product family and showed it at international trade exhibitions around Europe. Then we were contacted by a French firm we met at the exhibitions."</i> Firm B: <i>"We wanted to sell more products [internationally] and looked for potential partners at international exhibitions."</i> Firm E: <i>"We participated in international exhibitions and met people. I was sent to live in Germany to establish new business contacts in Europe."</i> Firm F: <i>"He had an international vision from the beginning, but the entrepreneur did not need to be highly active since he was able to use his previous contact with his French friend and business partner, who was active himself."</i> Firm H: <i>"All we do regarding international networking is participate in international exhibitions"</i>	Firm B: <i>"After some consideration here and there, this entrepreneur started to market our toys along with his existing product range."</i> Firm E: <i>"I drove around France on several occasions to chat with the potential distributors and see if they were good or not."</i> Firm F: <i>"I discussed with him a few times about our new firm, and about potential cooperation in the meantime. I think it was reciprocal, neither of us persuaded the other about this. It was almost taken for granted that he would launch the French subsidiary."</i> Firm H: <i>"It always goes so that our potential distributors contact us and then we meet and see if they have the potential or not."</i>
Low	Firm D: <i>"We had no plans to go to France [to internationalize]. My colleague just met this French guy by chance."</i> Firm G: <i>"We had no plans to export to France, but since they asked, we said yes right away."</i>	



1 sions is possible in a small family- 51  
2 owned company. It's our big 52  
3 advantage. 53  
4 54  
5 This flexibility is also evident among 55  
6 the firms ranked as medium level in their 56  
7 alertness, although their reaction to 57  
8 international opportunities was not so 58  
9 quick at the time of market entry to 59  
10 France. For instance, the owner-manager 60  
11 of Firm E commented on this as follows: 61  
12 62  
13 We have no obstacles to executing 63  
14 and doing things, because, well, 64  
15 our organization works flexibly 65  
16 and innovatively. It is one of the 66  
17 biggest advantages of family- 67  
18 owned companies. 68  
19 69  
20 **Prior Knowledge of the Case Firms** 70  
21 The prior knowledge of the entrepre- 71  
22 neurs in the case firms can be divided 72  
23 into *industry-specific knowledge*, *inter-* 73  
24 *nationalization knowledge*, and *market-* 74  
25 *specific knowledge*. The industry-specific 75  
26 knowledge in all the case firms—except 76  
27 for Firm G—was high. Their knowledge 77  
28 was mainly based on experience, in 78  
29 other words, on a long product develop- 79  
30 ment process. These firms that had high 80  
31 industry knowledge had an excellent, in 81  
32 some ways, original product, which had 82  
33 basically good competitiveness in inter- 83  
34 national markets. They also knew fairly 84  
35 well what their rivals were doing. Thus, 85  
36 Firm A launched a new product family 86  
37 just before entering France, and those 87  
38 successful innovative products were later 88  
39 imitated by their rivals. The industry- 89  
40 specific knowledge of Firm G is regarded 90  
41 as medium, since they were not very 91  
42 familiar with the products offered by 92  
43 other European firms; hence, they did 93  
44 not entirely know what their firm could 94  
45 offer abroad, and had not planned to 95  
46 internationalize. 96  
47 The internationalization knowledge 97  
48 was of medium level in most of the case 98  
49 firms (A, B, C, G, and H). The level of 99  
50 internationalization knowledge can be 100

regarded as medium if the entrepreneur has experiential knowledge, in other words, experience gained from foreign operations. For instance, the entrepreneur of Firm H had operated in several foreign markets before entry to the French market. However, the internationalization process of the firm was reactive to requests from abroad, which meant that its staff did not need to be very deeply involved in knowing about internationalization as such. In Firm D, the internationalization knowledge is regarded as low, since the entrepreneur of Firm D had only a very small degree of international experience, based on occasional visits to Germany and Japan. By contrast, the internationalization knowledge of firms E and F can be regarded as high at the time of recognition of the opportunity to enter the French market. Firm E already had production subsidiaries around the world and had been selling to numerous countries for several years. Despite this, their attitude to internationalization was extremely innovative and proactive. The entrepreneur in Firm F had a foundation of internationalization experience since his previous firms had been selling and producing goods all around the world for more than 10 years before this specific opportunity was recognized.

Five out of eight case firms (B, C, D, G, and H) had surprisingly limited knowledge of the French market before they recognized the opportunity to enter the market. None of these firms had experiential knowledge of France nor did they set out to gather any explicit knowledge, even before they entered the French market. For instance, in Firm D, the entrepreneur described the knowledge of France in this way:

Well, it [the entry to France] has been quite unorganized. We have made many mistakes and learned from them. I had no cultural knowledge of France and I

1 learned about the culture only  
2 through time. [...] All in all, we  
3 lacked all the essential resources  
4 needed for internationalization in  
5 France. We just had our courage,  
6 we wanted to try.  
7

8 <sup>9</sup> In Firms A, E, and F, by contrast, the  
9 level of French market knowledge is per-  
10 ceived as high, the reason for this being  
11 is the experiential knowledge gained by  
12 the entrepreneurs or their family  
13 members. In Firm A, the entrepreneur  
14 had lived in France for several years; he  
15 had experiential knowledge of French  
16 culture and also knew the French lan-  
17 guage. In Firm E, too, there was a family  
18 member who knew French language and  
19 culture, since he was living on the  
20 French border at the time of the oppor-  
21 tunity recognition. In Firm F, French  
22 market knowledge was at a very high  
23 level. This was due to the fact that the  
24 entrepreneur had cooperated for several  
25 years with the French because of the  
26 business operations of his preceding  
27 firms, which were operating in the same  
28 field.  
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### 30 **The Primary Context of the** 31 **International Opportunity** 32 **Recognition**

33 In this section, we shall summarize  
34 the main findings uncovered via an  
35 analysis of the network ties, activeness  
36 and alertness, and prior knowledge of  
37 the case firms. In so doing, we shall  
38 discuss the phenomenon of international  
39 opportunity recognition from the point  
40 of view of its primary context. The  
41 primary contexts, as found in the data,  
42 were trade exhibitions, unsolicited  
43 agreements, formal searches, and infor-  
44 mal ties. As Table 2 illustrates, the  
45 <sup>10</sup> primary context of international oppor-  
46 tunity recognition was in half of the  
47 cases (A, B, E, and H) their participation  
48 in trade exhibitions. In fact, this venue  
49 appears to form the most important  
50 context for opportunity recognition.

51 The second most common context for  
52 recognizing the opportunity to enter the  
53 French market was an unsolicited  
54 agreement—a phenomenon that  
55 occurred for Firms D and G. Firm D  
56 needed to find new markets but had no  
57 strategy on how to internationalize.  
58 Hence, Firm D did not actively look for  
59 anyone to sell their products abroad, did  
60 not ask any person to sell its products,  
61 and did not invest any money on this  
62 attempt. In fact, it was an entrepreneur  
63 who was himself of French origin who  
64 invested his own money in bringing Firm  
65 D to the French market. Firm G, by con-  
66 trast, took the opportunity to export to <sup>11</sup>  
67 France when its French supplier asked if  
68 Firm G could provide the supplier with a  
69 certain component that it not produce  
70 itself. In fact, there was a year of import-  
71 ing on the background before this French  
72 supplier asked Firm G to start selling  
73 products to France, via the supplier.

74 For Firm C, the primary context of  
75 opportunity recognition consisted  
76 entirely of a formal search. As it showed  
77 that France had great potential, Firm C  
78 immediately started to plan its foreign  
79 market entry in a strategic fashion. The  
80 discovery of suitable entrepreneurs to  
81 carry out its French plan was also  
82 essential in the execution of the French  
83 opportunity. Nevertheless, the two entre-  
84 preneurs concerned were not involved in  
85 the primary opportunity recognition  
86 phase, since the decision on entry had  
87 been made on the basis of the market  
88 search.

89 Firm F differed notably from the other  
90 firms in its opportunity recognition, since  
91 the entrepreneur-founder of Firm F had  
92 a good, trustworthy friend in France,  
93 with whom he had been doing business  
94 for 10 years (while with his previous  
95 firms). Hence, when this entrepreneur  
96 set up Firm F, it seemed obvious to him  
97 that he could start a subsidiary in France,  
98 given that he knew a trustworthy, excel-  
99 lent person there who was acquainted  
100 with this particular industry. Nothing

1 else was needed in discovering the  
2 opportunity to operate in France. Thus,  
3 the presence of the informal tie had a  
4 great effect on the manner of opportu-  
5 nity recognition. However, with all the  
6 other firms, it was mainly formal ties that  
7 were involved in the opportunity recog-  
8 nition. And taking the firms altogether,  
9 the manner of recognizing the opportu-  
10 nity was, to a large extent, based on the  
11 finding of suitable persons (by coinci-  
12 dence or at a trade exhibition) to repre-  
13 sent the firm's products in France.

### 15 **Discussion**

16 The findings indicate that formal ties  
17 can be regarded as essential in the inter-  
18 national opportunity recognition of  
19 family SMEs. Only one firm recognized  
20 the opportunity via informal ties.  
21 However, none of the firms was able to  
22 utilize family ties in the international  
23 opportunity recognition process. This  
24 finding supports the study of Ozgen and  
25 Baron (2007), which suggests that family  
26 ties do not facilitate the opportunity  
27 recognition process. In other words, the  
28 close relationships that commonly exist  
29 between family members or the informal  
30 relationships existing between friends  
31 reduce opportunities for getting new and  
32 valuable information that could promote  
33 international opportunity recognition.  
34 However, in formal relationships, the  
35 potential for recognizing international  
36 opportunities is much higher (compare  
37 Burt 2004; Granovetter 1973).

38 One interesting finding is that only  
39 two of the case firms recognized the  
40 opportunity for the foreign market entry  
41 through an *existing* network tie (through  
42 a formal tie with the supplier and  
43 through an informal tie with a friend in  
44 France). In the other six cases, the inter-  
45 national opportunity recognition actually  
46 led to the formation of *new* formal ties in  
47 trade exhibitions, or else it came as a  
48 response to unsolicited inquiries. This  
49 finding suggests that in family SMEs—  
50 where there are not many international

connections (Graves and Thomas  
2004)—existing network ties do not gen-  
erally lead to international opportunity  
recognition. Our study takes the findings  
of Graves and Thomas (2004) further,  
since it suggests that in the context of  
international opportunity recognition,  
family SMEs generally compensate for  
their limited network ties by forming  
new, formal network ties. However, it  
should be noted that this finding is  
inconsistent with the studies of Ellis  
(2008) and Singh (2000) (on nonfamily  
firms), which indicated the importance  
of existing network ties in opportunity  
recognition; in our study, family SMEs  
used new network ties rather than exist-  
ing ones. On the basis of our findings,  
we can arrive at the following two  
propositions:

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*Proposition 1: Family SMEs recog-  
nize international opportunities  
by using formal ties rather than  
informal ties or family ties.*

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*Proposition 2: Among family  
SMEs, the formation of new  
network ties is more likely to lead  
to international opportunity rec-  
ognition than the presence of exist-  
ing ties.*

81 We observed that a high level of  
82 *activeness* led to opportunity recognition  
83 through a formal search, whereas a low  
84 level of activeness led to opportunity rec-  
85 ognition via an unsolicited inquiry. The  
86 case firms with a medium level of active-  
87 ness realized the international opportu-  
88 nity via trade exhibitions or informal ties.  
89 The concept of *alertness* describes the  
90 actions taken by family SMEs very well:  
91 all of them reacted fairly proactively to  
92 opportunities, irrespective of the level of  
93 activeness. This might be, generally  
94 speaking, connected to the unsystematic  
95 way of internationalizing in family firms  
96 (Tsang 2001); only one case firm had a  
97 plan to internationalize in France at the  
98 time of opportunity recognition.

1 It also seems that small management 48  
2 teams provide a distinct advantage in 49  
3 relation to the alertness of family SMEs: 50  
4 they allow decision processes to be 51  
5 quick and flexible (compare Gallo and 52  
6 Pont 1996; Tsang 2001). Hence, they can 53  
7 proactively seize emerging opportuni- 54  
8 ties, whether they are actively looking 55  
9 for new international opportunities or 56  
10 not. On that basis, we would posit the 57  
11 following: 58  
12 *Proposition 3: Among family 59  
13 SMEs, international opportunities 60  
14 are likely to be recognized on the 61  
15 basis of alertness rather than 62  
16 activeness. 63*  
17 *Proposition 4: The flexibility of the 64  
18 governance structure in family 65  
19 SMEs is positively related to a high 66  
20 level of alertness in international 67  
21 opportunity recognition. 68*  
22 It is interesting that prior knowledge 69  
23 (including industry-specific knowledge, 70  
24 internationalization knowledge, and 71  
25 market-specific knowledge) had no sig- 72  
26 nificant effect on international opportu- 73  
27 nity recognition. This was despite the 74  
28 fact that several studies have underlined 75  
29 the importance of prior knowledge for 76  
30 both opportunity recognition in general 77  
31 (Baron 2006; Shane 2000) and interna- 78  
32 tional opportunity recognition in particu- 79  
33 lar (Johanson and Vahlne 1977; Oviatt 80  
34 and McDougall 1995; Reuber and Fischer 81  
35 1997). Thus, although the prior industry 82  
36 knowledge of the family SME entrepre- 83  
37 neurs seemed to be strong, it did not 84  
38 seem to facilitate their international 85  
39 opportunity recognition to any great 86  
40 extent since most of the firms had no 87  
41 international industry relations. In addi- 88  
42 tion, their market-specific knowledge 89  
43 was limited in most cases, and within 90  
44 those firms that did possess high knowl- 91  
45 edge of French culture and language, this  
46 knowledge did not significantly contrib-  
47 ute to the opportunity recognition  
48 process since they had not developed  
49 relations in the French market that  
50 would serve business purposes. Alto-  
51 together, in the international opportunity  
52 recognition phase, prior knowledge  
53 plays a fairly minor role (although its  
54 importance may increase when a firm  
55 starts to execute the perceived opportu-  
56 nity). This might be connected to family  
57 entrepreneurs' desire to avoid risks and  
58 to protect the socio-emotional wealth of  
59 their staff (Gomez-Mejia, Makri, and  
60 Kintana 2010), with the implication that  
61 their opportunity recognition is based on  
62 finding trustworthy partners. In other  
63 words, whether or not they have experi-  
64 ence of internationalization or knowl-  
65 edge of the target market from a  
66 nonbusiness context, they recognize  
67 their opportunity only when they meet a  
68 potential cooperator, often in interna-  
69 tional trade exhibitions or by coinci-  
70 dence. By meeting cooperators  
71 personally, also the risk connected to  
72 foreign market entry is reduced.  
73 The findings of this study indicate that  
74 the primary context in which the family  
75 SMEs recognize the opportunity for  
76 foreign market entry is that of trade exhi-  
77 bitions.<sup>2</sup> This is consistent with earlier  
78 literature indicating the important role of  
79 trade exhibitions for opportunity recog-  
80 nition (Ellis 2000; McAuley 1999; Meyer  
81 and Skak 2002). Trade exhibitions form a  
82 context with a dense network that facili-  
83 tates access to important information  
84 since persons in the network can easily  
85 share essential knowledge (compare  
86 Burt 2000). Consequently, trade exhibi-  
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44 <sup>2</sup>In two cases, unsolicited inquiries were the primary context of the opportunity recognition. This again underlines the importance of alertness to opportunities (Ardichvili, Cardozo, and Ray 2003; Kirzner 1997) and the role of serendipity in foreign market entry (Crick and Spence 2005; McAuley 1999; Meyer and Skak 2002).

1 tions and similar forums where people  
2 share common interests are a context in  
3 which potential business partners may  
4 well be found, without the investment of  
5 huge amounts of money or time. They  
6 form a natural context for family SMEs,  
7 which often have limited financial  
8 resources and which tend to have a cau-  
9 tious attitude regarding investments and  
10 changes in operations (for example Gallo  
11 and Pont 1996; Graves and Thomas  
12 2008). This finding is also in line with the  
13 observation of Ellis (2008) that firms  
14 compensate for their limited networks by  
15 participating in trade exhibitions. In  
16 addition, international exhibitions may  
17 be important for the reason that family  
18 business owners do not want to use  
19 external sources to facilitate their inter-  
20 nationalization (Graves and Thomas  
21 2004). All in all, in relation to Proposition  
22 2, it can be stated that although family  
23 SMEs utilized *new* network ties in their  
24 international opportunity recognition,  
25 these were generally found in forums  
26 with a high network density. In these  
27 forums, the amount of potential network  
28 ties is high (Coviello 2006) and the inter-  
29 action between different parties is facili-  
30 tated (Oviatt and McDougall 2005). From  
31 all these considerations, we derive the  
32 final proposition, as follows:

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34 *Proposition 5: Forums with a high*  
35 *network density are the primary*  
36 *context in which family SMEs rec-*  
37 *ognize opportunities for foreign*  
38 *market entry.*  
39

### 40 **Conclusions**

41 This study makes several contribu-  
42 tions in the fields of international busi-  
43 ness and international entrepreneurship.  
44 First, it answers the calls for more  
45 research on international opportunity  
46 mentioned in the Introduction (Dimitra-  
47 tos and Jones 2005; Ellis 2008; Young,  
48 Dimitratos, and Dana 2003; Zahra, Korri,  
49 and Yu 2005). Second, it indicates how  
50 network ties, activeness and alertness,

and prior knowledge affect international  
51 opportunity recognition. Third, the study  
52 identifies the primary context in which  
53 family SMEs recognize international  
54 opportunities for new market entry. Our  
55 findings suggest that SMEs mainly recog-  
56 nize international opportunities by estab-  
57 lishing new formal ties, with existing  
58 informal ties and family ties having a less  
59 significant role. We also found that inter-  
60 national opportunity recognition of  
61 family SMEs is more related to alertness  
62 to new international opportunities than  
63 to an active search for opportunities.  
64 This seems to be due to the small size  
65 and flexibility of the management teams  
66 concerned. Furthermore, the findings  
67 indicated that prior knowledge did not  
68 directly affect the international opportu-  
69 nity recognition of family SMEs. Finally,  
70 forums with a high network density were  
71 the primary context for international  
72 opportunity recognition.  
73

International opportunity recognition  
74 is an emerging research topic in interna-  
75 tional entrepreneurship. Although our  
76 study provides an empirical contribution  
77 to this topic, there is a plenty of scope  
78 for further research. The study offers five  
79 propositions for further quantitative  
80 testing—necessary, since the findings of  
81 this study are not widely generalized due  
82 to the methodological circumstances.  
83 Our research setting also limits the case  
84 firms to family-owned SMEs. Although  
85 this approach has the advantage of a  
86 specific focus, one would clearly wish to  
87 take the research into broader contexts.  
88 Thus, further studies are needed in rela-  
89 tion to the international opportunity  
90 identification of *early internationalizing*  
91 *firms* and firms that have *different kinds*  
92 *of ownership structures*. In this study, the  
93 focus was solely on opportunities that  
94 were actually implemented. Hence, there  
95 is also a need for further research on  
96 international opportunities that were rec-  
97 ognized but *not* implemented, and the  
98 mechanisms that might lie behind the  
99 implementation of some international  
100

1 opportunities but not others. As the find- 51  
2 ings of the present study indicate, prior 52  
3 knowledge had not a direct impact on 53  
4 how the opportunities are recognized. 54  
5 However, we can assume that the role of 55  
6 prior knowledge is important when the 56  
7 firms start to execute international 57  
8 opportunities. This is an interesting topic 58  
9 for further academic inquiries. 59

10 In considering the findings of this 60  
11 study, it should be noted that there have 61  
12 been changes in international markets 62  
13 during the internationalization of the case 63  
14 firms. For instance, free-trade agreements 64  
15 <sup>12</sup> and areas (for instance GATT, EU, North 65  
16 American Free Trade Agreement 66  
17 [NAFTA]) have been established or 67  
18 expanded (see for instance Pett and Wolff 68  
19 2003; Yamin, Sinkovics, and Hadjielias 69  
20 2007). Furthermore, improvements in 70  
21 transportation connections, the develop- 71  
22 ment of communication technologies, 72  
23 and increases in international competi- 73  
24 tion have facilitated the internationaliza- 74  
25 tion of many firms (Oviatt and McDougall 75  
26 2005). The influence of these changes 76  
27 could also be an interesting topic for 77  
28 further studies. In relation to the possible 78  
29 limitations of the study, there are some 79  
30 aspects that might differ depending on 80  
31 the home and target country. For 81  
32 instance, firms in some Asian countries 82  
33 are able to utilize emigrant relationships 83  
34 that help them with networking and, 84  
35 simultaneously, their international oppor- 85  
36 tunity recognition (Bagwell 2008; Child, 86  
37 Ng, and Wong 2002; Prashantham and 87  
38 <sup>13</sup> Dhanaraj in press). In these cases, trans- 88  
39 national family ties (Bagwell 2008; Tsang 89  
40 2001) may have a greater impact on inter- 90  
41 national opportunity recognition than 91  
42 was the case in the present study. In 92  
43 addition, the cultural and psychic dis- 93  
44 tances between countries may affect how 94  
45 firms recognize international opportuni- 95  
46 ties. Hence, as the psychic distance 96  
47 between countries increases, network for- 97  
48 mation, and consequently, opportunity 98  
49 recognition becomes more difficult 99  
50 (Johanson and Vahlne 2009; Ojala 2009).

From a managerial point of view, 51  
family entrepreneurs with limited net- 52  
works should concentrate on *actively* 53  
*looking for new formal ties*, which can 54  
provide them with novel information on 55  
international opportunities. Due to the 56  
closeness of family ties, the families 57  
themselves generally do not offer this 58  
kind of information. International trade 59  
exhibitions are an excellent context for 60  
family SMEs to engage in networking. 61  
Family SMEs with flexible management 62  
teams should also take advantage of their 63  
ability to be alert, in other words, their 64  
ability to quickly react to opportunities 65  
that arise in different contexts, often by 66  
mere coincidence. 67

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