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Author(s): Kontinen, Tanja; Ojala, Arto

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*.

Tanja Kontinen is working as senior assistant of entrepreneurship in Jyväskylä University School of Business and Economics. Her research interests include entrepreneurial internationalization, family business, networks and social capital. Tanja Kontinen has published in *International Business Review*, *Journal of Small Business and Enterprise Development*, and *Family Business Strategy* among others.

Arto Ojala (Ph.D., Econ.) is working as senior researcher in the Department of computer science and information systems at the University of Jyväskylä. His research interests include international entrepreneurship, software business, and network relationships in a firm internationalization. His articles have been published in *Journal of International Marketing*, *International Business Review*, and *European Management Journal* among others.

Address correspondence to: Tanja Kontinen, ••, Jyväskylä University School of Business and Economics, PO Box 35, •• 40014, Finland. Tel: +358142603363; Fax: +358142603331; E-mail: tanja.kontinen@ju.fi.

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

50 *enterprises* (SMEs); in other words, we 51
52 shall look at how such firms recognize 53
54 the opportunities available to enter a 54
55 foreign market. Second, we shall take 55
56 *family-owned SMEs* as the target group 56
57 of our empirical study. Family-owned 57
58 SMEs, with few exceptions, internation- 58
59 alize their activities in a later phase of 59
60 their life cycle, and their internationaliza- 60
61 tion process is slower than that of firms 61
62 with other types of ownership structure 62
63 (Graves and Thomas 2008). These two 63
64 research gaps—referred to by a number 64
65 of scholars (Dimitratos and Jones 2005; 65
66 Ellis 2008; Young, Dimitratos, and Dana 66
67 2003; Zahra, Korri, and Yu 2005)—must 67
68 be addressed if we are to gain a fuller 68
69 understanding of the field of interna- 69
70 tional entrepreneurship. 70

71 In previous studies, opportunity recog- 71
72 nition has mainly been considered 72
73 from the perspectives of (1) prior 73
74 knowledge (Kirzner 1979; Shane 2000; 74
75 Venkataraman 1997), (2) social ties 75
76 (Ellis 2008; Ozgen and Baron 2007), 76
77 and (3) entrepreneurial activeness and 77
78 alertness (Kirzner 1979; Shane 2000). 78
79 The present paper combines these three 79
80 aspects, assessing their role in *the* 80
81 *foreign market entry of family SMEs*. 81
82 This will enable us to gain a more 82
83 holistic understanding of the issue in 83
84 the context of family SMEs—firms that 84
85 are often cautious and that tend to have 85
86 limited financial resources (Gallo and 86
87 Pont 1996). It will also help us in dis- 87
88 cussing the actual primary context of 88
89 their opportunity recognition. 89

90 In order to address this issue, the fol- 90
91 lowing research questions were set in 91
92 relation to the firms we studied: (1) what 92
93 kinds of network ties were involved in 93
94 opportunity recognition? (2) What was 94
95 the level of active search and alertness 95
96 among the entrepreneurs, in terms of 96
97 recognizing the foreign market entry 97
98 opportunity? (3) What was the nature/ 98
99 extent of the prior knowledge of the 99
100 entrepreneur, when the international 100
101 opportunity was recognized? 101

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

44 to the strong internal ties of family firms,
45 based on trustful relationships between
46 family members (Gomez-Mejia, Makri,
47 and Kintana 2010; Salvato and Melin
48 2008). Such ties can also be called
49 “family capital” (Arregle et al. 2007; ³
50 Salvato and Melin 2008). Family capital
51 naturally affects all decisions on the strat-
52 egy, operations, and administrative struc-
53 ture of the family firm (Chrisman, Chua,
54 and Steier 2005). Yet external ties, too,
55 are important for family firms (Arregle
56 et al. 2007), especially in the context of
57 their internationalization, since they help
58 in obtaining information from outside
59 the firm.
60
61
62
63
64
65

66 **Opportunity Recognition**

67 As acknowledged in several studies
68 (Baron 2006; Shane 2000; Shane and
69 Venkataraman 2000), opportunities have
70 a critical role in the entrepreneurial
71 process. However, although opportuni-
72 ties may exist, they can be exploited only
73 if an entrepreneur recognizes the oppor-
74 tunity and understands its value for
75 further business (Shane and Venkatara-
76 man 2000). Hence, the main point of
77 interest in research on opportunity rec-
78 ognition has been why certain individu-
79 als discover opportunities that others do
80 not (Kirzner 1979; Shane 2000; Shane
81 and Venkataraman 2000; Venkataraman
82 1997). Of particular relevance, here are
83 Austrian theories¹ according to which the
84 possession of idiosyncratic information
85 allows people to see particular opportu-
86 nities that others do not perceive. Nev-
87 ertheless, it must be acknowledged that
88 opportunity recognition is only the initial
89 phase in a continuing process; it is dis-
90 tinct from the actual evaluation of the
91 *feasibility* of the opportunities identified,

44 ¹In 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 **Network Ties** 94
45 It has been suggested that an entre- 95
46 preneur’s contacts with other persons 96
47 (Crick and Spence 2005; Ellis 2008; 97
48 Ozgen and Baron 2007; Singh 2000) are 98
49 important in opportunity recognition: the 99
50 extent of an entrepreneur’s social 100
network is positively related to opportu-
nity recognition. Social ties serve as con-
duits for the spread of information
concerning new opportunities (Burt
2004; Granovetter 1973), and the ability
to recognize novel opportunities may be
determined by the reach and abundance
of one’s ties with others. An interesting
point in this regard is that information on
opportunities tends to arrive via links
from separate social clusters (Burt 2004).
Ozgen and Baron (2007) discovered
that the greater the extent of social ties
with mentors and informal industry net-
works, the more positive were the effects
on opportunity recognition. However,
social relationships with family members
and close friends did not increase the
ability to recognize new opportunities. It
was surmised that this was due to the
lower industry-specific knowledge and
experience of family members and close
friends. In addition to social ties, which
commonly refer to nonformal relation-
ships, entrepreneurs may have formal
ties with other business partners or insti-
tutions (Coviello 2006; Johanson and
Mattsson 1992; Ojala 2009); these, too,
serve as an important source of knowl-
edge related to new opportunities.
In addition to what have been
described, professional forums (Ozgen
and Baron 2007) and trade exhibitions
(Ellis 2008; McAuley 1999; Meyer and
Skak 2002; Reid 1984) have been found to
be sources for information and social ties,
creating the potential for entrepreneurial
opportunity recognition. However, the
role of exhibitions as a source of social
ties is complex. According to Ellis (2000),
in the context of exhibitions, the commu-
nication of opportunities cannot be
uniquely attributed to a buyer, a seller, or
a third party (such as a government
agency). Hence, Ellis (2000) suggests that
it is appropriate to treat exhibitions as a
special kind of initiation scenario. The
particular nature of exhibitions is high-
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- 2
55 tion of opportunities that were readily 3
56 available. Factors contributing to a high 4
57 level of alertness are related to the cog- 5
58 nitive capacities of individuals such as 6
59 high intelligence and creativity (Shane 7
60 2000), or optimism (Krueger and Brazeal 8
61 1994). However, sometimes alertness 9
62 does indeed occur in a case in which a 10
63 firm conducts an active search leading to 11
64 recognition of a totally unexpected solu- 12
65 tion; hence, alertness has a central role in 13
66 opportunity recognition, whether or not 14
67 an active search is involved (Hohenthal, 15
68 Johanson, and Johanson 2003). 16
17
18 **Prior Knowledge**
19 Prior knowledge in association with 20
21 high-level cognitive capabilities is impor- 22
23 tant in identifying and pursuing an 24
25 opportunity (Baron 2006; Shane 2000; 26
27 Shane and Venkataraman 2000). The 28
29 individual cognitive structures defining 30
31 the identification of opportunities are 32
33 developed through the previous life 34
35 experiences of individuals. Venkatara- 36
37 man (1997) referred to this as a “knowl- 38
39 edge corridor,” which allows the 40
41 individual to recognize certain opportu- 42
43 nities but not others. Sarasvathy, Simon, 44
45 and Lave (1998) also noted that different 46
47 individuals discovered different opportu- 48
49 nities, according to their particular way 49
50 of gathering and processing information. 50
51 Three major dimensions of prior 51
52 knowledge, namely *knowledge of* 52
53 *markets*, *knowledge of ways to serve the* 53
54 *markets*, and *knowledge of customer* 54
55 *problems*, have been regarded as impor- 55
56 tant for entrepreneurial discovery (Shane 56
57 2000). In addition, *current jobs*, *work* 57
58 *experience* (Aldrich 1999), and *techno-* 58
59 *logical knowledge* (Park 2005) are consid- 59
60 ered to be the general sources in 60
61 facilitating opportunity recognition. In an 61
62 international setting, “the knowledge of 62

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 51
2 process of understanding based on 52
3 distinct methodological traditions of inquiry 53
4 that explore a social or human problem. 54
5 The researcher builds a complex, holistic 55
6 picture, analyzes words, reports detailed 56
7 views of informants, and conducts the 57
8 study in a natural setting.” Thus, we used 58
9 a multiple case study methodology 59
10 similar to the approaches introduced by 60
11 Eisenhardt (1989) and Yin (1994). This 61
12 enables an in-depth investigation and the 62
13 explanation of cause-and-effect relation- 63
14 ships. It also makes it possible to use 64
15 replication logic, so that the researchers 65
16 are able to identify the subtle similarities 66
17 and differences within a collection of 67
18 cases (Brown and Eisenhard 1997; Eisen- 68
19 hardt 1989; Yin 1994). The case study 69
20 method is relevant in a situation where 70
21 the study covers a real-life environment 71
22 in which an action such as opportunity 72
23 recognition occurs (Yin 1994). In this 73
24 connection, Shane (2000, p. 453) argues 74
25 that the case study method allows the 75
26 investigation of how opportunity recog- 76
27 nition operates in a situation where “all 77
28 of the relevant behaviors cannot be 78
29 manipulated through experimental 79
30 design.” In addition, the approach is con- 80
31 sistent with numerous recent studies 81
32 concerning international entrepreneur- 82
33 ship and opportunity recognition 83
34 research (Coviello 2006; Coviello and 84
35 Munro 1997; Crick and Spence 2005; 85
36 Ojala 2008, 2009; Shane 2000). 86
37 The phenomenon of international 87
38 opportunity recognition was studied in 88
39 the context of SMEs for the principal 89
40 reason that opportunity recognition is 90
41 more transparent in such enterprises. 91
42 Hence, we followed Yin (1994) in select- 92
43 ing cases in which the phenomenon 93
44 studied was transparently observable. 94
45 The dimension of family ownership also 95
46 allows us to recognize how firms with 96
47 limited resources recognize international 97
48 opportunities. It should further be noted 98
49 that the selection of the firms for inves- 99
50 tigation was based on an overall theoretic- 100

cal perspective, as recommended in the study of Eisenhardt (1989), rather on a random sampling methodology.

These various considerations led us to collect data from *eight selected Finnish family SMEs in the manufacturing sector*. As can be seen in Table 1, the range of products in the case firms is fairly wide, but all of the firms manufacture material goods. We chose market entry to the French market as the context for international opportunity recognition. This allowed us to investigate opportunity recognition in a context that would be uniform for all the firms involved in the study (compare Shane 2000), bearing in mind that laws, regulations, and customs might vary in different markets (Shrader, Oviatt, and McDougall 2000). In addition, it seems that France is a somewhat difficult market for Finnish family SMEs to enter despite its market potential (Finpro 2008), and this would underline the importance of opportunity recognition in this context.

All the case firms had fewer than 250 employees at the time of entry to the French market. Thus, they fulfilled the criteria of the Finnish government and the EU for classification as SMEs (Organization for Economic Co-operation and Development 2003). As far as the definition of a *family firm* is concerned, it can be defined as one in which the family controls the largest block of shares or votes, has one or more of its members in key management positions, and has members of more than one generation actively involved within the business. This definition is based on the two criteria of ownership and management presented, for instance, by Graves and Thomas (2008), and on the factor of continuity (see for instance Zahra 2003). Table 1 summarizes the key information on the case firms. The firms were established between 1876 and 1988. The number of personnel varies from 18 to 249 employees, the average being 106 employees.

Table 1
Information on the Case Firms

	Number of Employees	Year of Establishment	Start of Internationalization	Industry Segment	Operations in France
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 exhibi-
41 tions. 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-
2 owned company. It's our big
3 advantage.
4

5 This flexibility is also evident among
6 the firms ranked as medium level in their
7 alertness, although their reaction to
8 international opportunities was not so
9 quick at the time of market entry to
10 France. For instance, the owner-manager
11 of Firm E commented on this as follows:
12

13 We have no obstacles to executing
14 and doing things, because, well,
15 our organization works flexibly
16 and innovatively. It is one of the
17 biggest advantages of family-
18 owned companies.
19

20 **Prior Knowledge of the Case Firms**

21 The prior knowledge of the entrepre-
22 neurs in the case firms can be divided
23 into *industry-specific knowledge*, *inter-*
24 *nationalization knowledge*, and *market-*
25 *specific knowledge*. The industry-specific
26 knowledge in all the case firms—except
27 for Firm G—was high. Their knowledge
28 was mainly based on experience, in
29 other words, on a long product develop-
30 ment process. These firms that had high
31 industry knowledge had an excellent, in
32 some ways, original product, which had
33 basically good competitiveness in inter-
34 national markets. They also knew fairly
35 well what their rivals were doing. Thus,
36 Firm A launched a new product family
37 just before entering France, and those
38 successful innovative products were later
39 imitated by their rivals. The industry-
40 specific knowledge of Firm G is regarded
41 as medium, since they were not very
42 familiar with the products offered by
43 other European firms; hence, they did
44 not entirely know what their firm could
45 offer abroad, and had not planned to
46 internationalize.

47 The internationalization knowledge
48 was of medium level in most of the case
49 firms (A, B, C, G, and H). The level of
50 internationalization knowledge can be

51 regarded as medium if the entrepreneur
52 has experiential knowledge, in other
53 words, experience gained from foreign
54 operations. For instance, the entrepre-
55 neur of Firm H had operated in several
56 foreign markets before entry to the
57 French market. However, the interna-
58 tionalization process of the firm was
59 reactive to requests from abroad, which
60 meant that its staff did not need to be
61 very deeply involved in knowing about
62 internationalization as such. In Firm D,
63 the internationalization knowledge is
64 regarded as low, since the entrepreneur
65 of Firm D had only a very small degree of
66 international experience, based on occa-
67 sional visits to Germany and Japan. By
68 contrast, the internationalization knowl-
69 edge of firms E and F can be regarded as
70 high at the time of recognition of the
71 opportunity to enter the French market.
72 Firm E already had production subsidiar-
73 ies around the world and had been
74 selling to numerous countries for several
75 years. Despite this, their attitude to inter-
76 nationalization was extremely innovative
77 and proactive. The entrepreneur in Firm
78 F had a foundation of internationaliza-
79 tion experience since his previous firms
80 had been selling and producing goods all
81 around the world for more than 10 years
82 before this specific opportunity was rec-
83 ognized.

84 Five out of eight case firms (B, C, D,
85 G, and H) had surprisingly limited
86 knowledge of the French market before
87 they recognized the opportunity to enter
88 the market. None of these firms had
89 experiential knowledge of France nor
90 did they set out to gather any explicit
91 knowledge, even before they entered the
92 French market. For instance, in Firm D,
93 the entrepreneur described the knowl-
94 edge of France in this way:
95

96 Well, it [the entry to France] has
97 been quite unorganized. We have
98 made many mistakes and learned
99 from them. I had no cultural
100 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 ⁹ 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.
29

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 ¹⁰ 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 ¹¹
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 teams provide a distinct advantage in relation to the alertness of family SMEs: they allow decision processes to be quick and flexible (compare Gallo and Pont 1996; Tsang 2001). Hence, they can proactively seize emerging opportunities, whether they are actively looking for new international opportunities or not. On that basis, we would posit the following:

2 *Proposition 3: Among family SMEs, international opportunities are likely to be recognized on the basis of alertness rather than activeness.*

3 *Proposition 4: The flexibility of the governance structure in family SMEs is positively related to a high level of alertness in international opportunity recognition.*

4 It is interesting that prior knowledge (including industry-specific knowledge, internationalization knowledge, and market-specific knowledge) had no significant effect on international opportunity recognition. This was despite the fact that several studies have underlined the importance of prior knowledge for both opportunity recognition in general (Baron 2006; Shane 2000) and international opportunity recognition in particular (Johanson and Vahlne 1977; Oviatt and McDougall 1995; Reuber and Fischer 1997). Thus, although the prior industry knowledge of the family SME entrepreneurs seemed to be strong, it did not seem to facilitate their international opportunity recognition to any great extent since most of the firms had no international industry relations. In addition, their market-specific knowledge

5 was limited in most cases, and within those firms that did possess high knowledge of French culture and language, this knowledge did not significantly contribute to the opportunity recognition process since they had not developed relations in the French market that would serve business purposes. Altogether, in the international opportunity recognition phase, prior knowledge plays a fairly minor role (although its importance may increase when a firm starts to execute the perceived opportunity). This might be connected to family entrepreneurs' desire to avoid risks and to protect the socio-emotional wealth of their staff (Gomez-Mejia, Makri, and Kintana 2010), with the implication that their opportunity recognition is based on finding trustworthy partners. In other words, whether or not they have experience of internationalization or knowledge of the target market from a nonbusiness context, they recognize their opportunity only when they meet a potential cooperator, often in international trade exhibitions or by coincidence. By meeting cooperators personally, also the risk connected to foreign market entry is reduced.

6 The findings of this study indicate that the primary context in which the family SMEs recognize the opportunity for foreign market entry is that of trade exhibitions.² This is consistent with earlier literature indicating the important role of trade exhibitions for opportunity recognition (Ellis 2000; McAuley 1999; Meyer and Skak 2002). Trade exhibitions form a context with a dense network that facilitates access to important information since persons in the network can easily share essential knowledge (compare Burt 2000). Consequently, trade exhibi-

7 ²In 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.
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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
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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 ¹² 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 ¹³ 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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