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International Entrepreneurship, Born Globals and the Theory of Effectuation

ARTICLE *in* JOURNAL OF SMALL BUSINESS AND ENTERPRISE DEVELOPMENT · AUGUST 2011

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International entrepreneurship, born globals and the theory of effectuation

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Svante Andersson

Halmstad University, Halmstad, Sweden

Abstract

Purpose – The purpose of this study is to enhance the understanding of a born global firm's early internationalization process and the entrepreneur's decisions regarding internationalization by using effectuation theory.

Design/methodology/approach – An explorative case study is used to explore whether effectuation theory is a fruitful alternative perspective compared with the dominant paradigm (causation), which is primarily used in earlier studies on born globals.

Findings – The study shows how a born global company could enter many markets in a short time, by co-operating with local network partners. The founders' prior knowledge and networks were important to understand the rapid international expansion. Effectuation theory focuses on the entrepreneurs' ability to create opportunities together with network partners and is a useful tool to understand the development in the born global firm.

Research limitations/implications – The study shows that effectuation theory holds promise for developing the international entrepreneurship area. Future research is recommended to focus not only on the entrepreneur's competencies, but also on the entrepreneur's behavior, including during the time before they started the firm.

Practical implications – Decision-makers in the early development of born global firms are recommended to use his/her own and his/her company's resources and network. Also advantage should be taken of opportunities when they are recognized or created, instead of focusing on traditional planning activities.

Originality/value – There are few studies that have used effectuation theory as a basis for understanding the early development of a born global firm.

Keywords International entrepreneurship, Born globals, Effectuation, Causation, Internationalization, Case studies, International business, Entrepreneurialism

Paper type Research paper

Introduction

Because of lower trade barriers, increased competition and rapid technological development, more and more small and medium-sized firms (SMEs) start their international activities during the first year of their operation or at least very soon after their establishment and a significant part of their total sales is from foreign markets. These types of firms are known by several terms, i.e. early internationalizing firms, born global firms or international new ventures. The most common concept is



The author greatly acknowledges the constructive comments from the editors and two anonymous *JSBED* referees and would like to thank The Knowledge Foundation and The Swedish Research Council for financial support.

probably born global and will be used in this study (Rialp *et al.*, 2005). The development of more new firms growing internationally from inception or early on has created the growth of international entrepreneurship as a research field. This research area focuses on the interrelatedness between entrepreneurship and international business. Reviews of international entrepreneurship research have been conducted by Rialp *et al.* (2005) and Keupp and Gassman (2009). Keupp and Gassman point out theoretical inconsistencies and knowledge gaps in the international entrepreneurship field. Although the area has been researched for some time there is still a need for theory and concepts that can be used to better understand and explain born globals (Autio, 2005). An important finding that many researchers have pointed to is that internationalization and entrepreneurship are similar processes and that theory from the entrepreneurship area can enhance the understanding of firms' internationalization (Andersson, 2000; Johanson and Vahlne, 2009; Keupp and Gassman, 2009). Even though the importance of entrepreneurs have been highlighted in some studies (Andersson and Evangelista, 2006), there is a need for deeper studies which investigate in more detail how entrepreneurs' influence the development of born global firms. Why do some entrepreneurs choose to start ventures that already, from inception, aim for a global market? Decision making in an international and entrepreneurial context is an area that needs further investigation. Research regarding entrepreneurial decision making must necessarily focus on the concepts of risk and uncertainty. (For a deeper discussion about decision-making theories (see Sarasvathy, 2001).) She argues that effectuation logic suits situations with high risks and uncertainty while causation logic is more suitable when the future is predictable. Effectuation logic is characterized by emergent strategies and includes a selection of alternatives based on loss affordability and strategic alliances (Sarasvathy, 2008). The entrepreneur's decision to enter foreign markets already from a firm's inception is a decision with high risk in an uncertain situation. In the light of the preceding discussion therefore the purpose of this study is to enhance the understanding of a born global firm's early internationalization process and the entrepreneur's decisions regarding internationalization by using effectuation theory.

First in this research note a theoretical background of the area international entrepreneurship is presented. Thereafter follows a discussion on two different ways of decision-making, causation and effectuation. An explorative case study is used to illustrate decision-making in born globals. Effectuation theory is used to analyze a born global firm and it is concluded that effectuation theory gives new insights in the born global phenomenon.

International entrepreneurship

The development from a small national to a multinational firm has been an area of great research interest and one of the most important models in this field is the so-called Uppsala Model, which was developed by Johanson and Vahlne (1977). The model defines internationalization as a process of increasing experiential knowledge (Penrose, 1959). The discussion is focused on development over time and the main themes are the firms' behavior when it comes to different establishment sequences in terms of markets and entry modes. Markets are entered with successively greater psychic distance and the firm's international behavior in a single market is a consequence of a successively greater organizational learning and commitment. As the

firm learns about the market it commits more resources and goes through different steps. A theoretical point of departure of the field of international entrepreneurship is a criticism of the Uppsala internationalization model and other similar models for being too deterministic (Autio, 2005; Bell, 1995). If the firms are developed in accordance with the models (not focused on individual decision making), individual strategic choices will not be decisive for different strategic choices regarding a firm's internationalization. However, later studies have shown that entrepreneurs can choose to internationalize in different directions (Andersson, 2000; Andersson and Evangelista, 2006). Some firms internationalize early and rapidly and thus become global a short time after their inception (e.g. Knight and Cavusgil, 1996; Madsen and Servais, 1997). Born global firms also display a variety of entry modes; decisions which not are in accordance with the step-wise pattern that is discussed in earlier literature (Andersson *et al.*, 2006). Johanson and Vahlne (2009) and Schweizer *et al.* (2010) have in their later articles acknowledged that firms do not follow an internationalization pattern in line with the psychic distance concept and step-wise entry mode pattern shown in their early works (Johanson and Vahlne, 1977). They maintain that the basic idea with their model still is relevant and that new patterns can be explained by the fact that the founding entrepreneur already has access to knowledge and relationships prior to the internationalization of a born global firm (Johanson and Vahlne, 2009). In 2010 they explicitly include entrepreneurial capabilities in the model and use Sarasvathy's (2001) effectuation discussion as an important tool to analyze firm's internationalization. However, their discussion still focuses more on organizational networks than on entrepreneurial opportunity creation, ignoring the importance of different entrepreneurial capabilities and proactive behavior (Andersson and Evangelista, 2006). Following Autio (2005) it would appear that the international entrepreneurship tradition has been fruitful in acknowledging an entrepreneurial pro-active view of internationalization (Frishammar and Andersson, 2009) that challenges Johanson and Vahlne's (2009) more reactive view of internationalization. The focus on a pro-active entrepreneur is in line with Shane and Venkataraman's (2000) definition of entrepreneurship, which is:

[an] examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited (Shane and Venkataraman, 2000, p. 218).

The emphasis here is that entrepreneurship has two parts: opportunities and individuals who want to take advantage of them. Oviatt and McDougall (2005) concur with these observations and see this definition as useful also for defining international entrepreneurship. Some scholars have criticized Shane and Venkataraman's (2000) definition as it depicts opportunities as objective phenomena in the environment. Oviatt and McDougall (2005) agree with this criticism and include Weick's (1995) concept of enactment to emphasize that opportunities are not only in the environment, but that different entrepreneurs interpret the environment differently and may see opportunities where others do not. Following the above discussion, Oviatt and McDougall present the following definition:

International entrepreneurship is the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create goods and services (Oviatt and McDougall, 2005, p. 540).

The above definition can be used at different levels i.e. organizations, groups and individuals. Besides relating to the view of entrepreneurship that focuses on start-ups, it also highlights entrepreneurial behavior that becomes evident later on in a firm's development (Zahra *et al.*, 2000). It also is based on a view that focuses on the entrepreneur's ability to interpret the environment differently, which makes the entrepreneur a central player in understanding a firm's development (Andersson, 2000). This definition is useful to our purpose of studying entrepreneurial decision making regarding internationalisation in born global firms.

This research note aims to further explore the research tradition that looks at internationalization as a process of international opportunity recognition (Andersson, 2000; Chandra *et al.*, 2009; Schweizer *et al.*, 2010). There are two dominant schools with regard to opportunity recognition. The first looks at opportunity recognition as a planned process where opportunities are recognized after a purposeful, rational and systematic search process (Ansoff, 1988, Drucker, 1998). This school has a causation logic (Sarasvathy, 2001) and is derived from the rational decision making perspective of neo-classical micro-economics (Chandler *et al.*, 2011). The second school looks at opportunities as unknown until discovered (Ardichvili *et al.*, 2003; Kirzner, 1997) and that opportunities are co-created with other agents in an effectuation process (Sarasvathy, 2001; Dew *et al.*, 2009). Effectuation theory has pointed to the possession of relevant skills and prior knowledge as important factors influencing the opportunity discovery process. The concepts of effectuation and causation will be further elaborated upon hereafter.

The process of causation and effectuation

Causation models go from many alternatives to one goal while effectuation models starts with one set of alternatives that can end in many different ways. Sarasvathy (2001) exemplifies a causation process as the one described in main-stream text-books in marketing (Kotler, 2003). The logic in these books is that firms should start with an analysis of the firm and its environment and after that create a plan for the firm that is implemented and controlled. This traditional decision making perspective is derived from neo-classical micro-economics (Chandler *et al.*, 2011). The same logic is also used in entrepreneurship and business plan literature (Scarborough and Zimmerer, 2003; Timmons and Spinelli, 2004) and in international and global marketing literature (Doole and Lowe, 2004). The process starts with an analysis of the firm and its international environment. Markets are chosen after an analysis of different markets and an evaluation of different foreign market entry methods. Thereafter, different market strategies are implemented on different markets. Firms can choose a standardized marketing strategy for all markets (to gain economies of scale) or adaptation of different markets (to be able to meet local differences in demand).

Effectuation processes are not driven towards one goal. Instead they start from a given set of the entrepreneur's characteristics (traits, tastes, and abilities), what they know (knowledge corridors) and who they know (social networks). These questions acknowledge the importance of the individuals in the firm's international development (Andersson, 2000; Andersson and Evangelista, 2006). On a firm level this corresponds to the resource based theory and its physical, human and organizational resources (Barney, 1991). Effectuation theory also points out the importance of networks (Coviello, 2006; Johanson and Vahlne, 2009; Loane and Bell, 2006).

Sarasvathy (2001) argues that causation processes are more effective in static environments where the future is possible to predict, while effectuation processes are regarded as more effective when the future is unpredictable. The logic of effectuation is particularly useful in areas where human action is the most important factor shaping the future (Sarasvathy, 2001). In a new firm that from inception is aiming for international markets the environment is hard to predict and the founding entrepreneur is influential in the firm's development. That is, effectuation logic ought to be applicable in that setting. In the next section effectuation theory is compared with earlier research on international entrepreneurship.

Born globals and the theory of effectuation

In order to understand the behavior of born globals scholars have borrowed concepts and theories from the strategic management and entrepreneurship literatures. For example, Knight and Cavusgil (2004) use the resource based view. Other scholars have focused on the entrepreneur and his/her behavior traits and characteristics (Andersson and Evangelista, 2006). As is the case with entrepreneurship research (Gartner, 1988), the findings in international entrepreneurship are contradictory (Andersson *et al.*, 2004) and it is not possible to identify one type of "born global entrepreneur". There appear to be many different types of entrepreneurs that create born globals. Another important finding in the born global literature is the importance of personal networks for a rapid international growth (Andersson and Wictor, 2003; Coviello, 2006). A characteristic for a born global firm is that they act in new markets that are hard to predict. That is, these firms act in environments where effectuation theory ought to be effective (Sarasvathy, 2001, 2008). An advantage with effectuation theory is that it treats the individual level, the firm level and the environment /network level with a process perspective. That is it combines some of the earlier findings on born globals putting them into a more cohesive structure.

Oviatt and McDougall (1994) show that earlier theories used in international business do not fully explain the phenomenon of born globals. They suggested that entrepreneurship theory and the resource-based view of the firm should present fruitful avenues of enquiry. For example, entrepreneurship scholars have used the entrepreneurial orientation construct (Covin and Slevin, 1989). A drawback of this type of research is that much enquiry has been cross-sectional in nature, and as a consequence has been unable to capture the process involving the development of born globals. It also focuses on the firm level and does not consider how individual decision-making influences firms' internationalization.

An advantage of effectuation theory is that it is explicitly concerned with both the individual and the firm. It also connects to earlier theories regarding decision-making that appear fruitful in order to understand early processes in born globals. Sarasvathy refers to March's different works, challenging the assumption of pre-existent goals being held (March, 1991). Decision-making processes are much more complicated than is described in traditional textbooks. Decisions are made in interactions with others, both inside and outside the organization. The decision-making process is not an optimization process but rather a process to find a satisfactory solution with many partners involved (Cyert and March, 1963). A consequence of March's discussion is that a linear planning approach is not a good description of decision-making in most firms. That is further developed by Mintzberg and others. During the 1950s and 1960s

scholars of management started to criticize the conceptual understanding of management for being far away from actual managerial practice (Mintzberg, 1973). That stream of research revealed that the classical way to describe managerial work as consisting of activities such as “planning”, “organizing”, “co-ordinating” and “controlling”, does not correspond with the behavior of individual managers (Hales, 1986). A frequent and often proposed generic finding in previous research on what managers do is that managerial work is characterized by brevity, variety, and discontinuity (Mintzberg, 1973; Florén, 2006). In Mintzberg’s (1994) further research he pointed out the importance of action and synthesis instead of analysis and prediction in decision-making processes.

Sarasvathy also refers to Weick (1979) in her discussion of effectuation, who argues that the environment does not directly affect an organization. Decision-makers interpret the organizations’ environments and due to earlier experience have developed different cognitive schemas and come up with different interpretations and decisions. Weick’s discussion is in line with the cognitive perspective (Sadler-Smith, 2004). In this perspective the focus is on how firms’ decision-makers conceptualize information and how this impacts decision-making. Decision-makers shape their environment through enactment and sense-making (Rasmussen *et al.*, 2001). In the context of international entrepreneurship this highlights the importance of studying and getting information about the entrepreneur’s activities before they start the born global company. During that period the entrepreneurs create a mindset (cognitive schemata) allowing them to see international opportunities, where others would not find these. In this research note, by including the theoretical points of departure in effectuation theory an analysis of a born global firm is carried out. This analysis will deal with both the individual, firm and firm’s environment level in line with Sarasvathy’s (2001) discussion.

Method

The research note draws on the critical method approach as described by Alvesson and Deetz (2000). These authors use empirical findings as arguments for intelligent and interesting interpretations and not to test if a theory is true. In this research note effectuation is seen in an alternative perspective compared with the dominant paradigm in former literature (causation). This new interpretation of the internationalization decision gives new insights leading to an increased understanding of the phenomenon of born globals. According to Alvesson and Deetz (2000) it is not possible to study something without theory and all writing is constructions. A fruitful way to expand the knowledge of a research area is to study it from different perspectives. This is also in line with Alvesson and Deetz’s (2000) criticism towards the project to find a grand theory. Alvesson and Deetz (2000) discuss this matter in connection with management research and the same reasoning can be transferred to international business.

The authors use theoretical rather than random sampling. Therefore, a single case was chosen to get as deep information as possible (Dyer and Wilkins, 1991). The case study approach has been recommended as a fruitful way to get knowledge of a longitudinal process where internationalization is regarded as a business creation process (Johanson and Vahlne, 2009). There is need to learn more about special types of firm and not only to look for the average firm (Andriani and McKelvey, 2007). Based on the born global definition used by Andersson and Victor (2003) which is influenced by

Oviatt and McDougall (1994) and Knight and Cavusgil (1996), a pool of potential companies were identified. Out of that pool one case was chosen that was willing to give deep information on the firm's development. A close relationship was established with the firm, which made it possible to receive information that is hard to get access to with other methods (Welch *et al.*, 2002).

Alfa was one of four companies that were studied in depth in an earlier study of Swedish born globals (Andersson and Wictor, 2003). A born global firm was in that study defined as a company that has achieved a foreign sales volume of at least 25 percent within three years of its inception and that seeks to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries. The first study (Andersson and Wictor, 2003) showed that in accordance with this definition born globals were a rare phenomenon in Sweden. The study started with a database of 89 companies, where only one was a born global. However, three other born globals were through personal contacts and scanning of the business press. Of the four companies that were part of the first study only one was an independent growing company in 2006. One company has gone bankrupt, one was reorganized, changing its name and business idea, and is still very small, one has had a successful international growth and was bought by an American company and one company Alfa, the one that had been chosen for this study, is still an independent company with strong international growth. As the aim is to study a particular type of organization this company was selected, as is of less importance to have many cases, rather the focus here is on gaining in depth information of one case (Siggelkow, 2007).

Both historical records and personal interviews have been collected and used as sources. The study started with data from secondary sources (Loane *et al.*, 2006). Data were requested directly from the companies, such as annual reports and other written documents. This information was completed with newspaper articles and information from publicly available databases. From these sources, relevant background information such as revenues, income, employment etc. could be collected for the company, as well as more qualitative information like important historic events and major strategic decisions. However, the secondary data was not enough to gain a satisfactory understanding of the companies' international development. Therefore, in the next stage of the data collection process the companies were contacted to get first-hand information from the individuals working within the companies. Key informants with experience from critical internationalization decisions were identified. The informants could identify other informants and secondary sources that gave us more in-depth information. However, internationalization decisions and implementation were dealt with on chief executive officer (CEO) level and therefore CEOs was targeted as the main informants. The founder and first CEO has been interviewed three times, and the second and third CEOs once. Secondary data were used as a base to discuss internationalization with the key informants. A semi-structured interview guide was used, and all interviews were taped. The main reason for using a semi-structured approach was to ensure that the discussion was driven by what the respondents felt was important in order to stay as close as possible to their lived experience. The key informants were thus allowed to tell their stories freely and discuss how the international development of the companies has developed over time. This method has been used in earlier studies of small company internationalization by Crick and Jones (2000). Interviews started in 1999 and the

companies have been followed for several years. The interviews were carried out at Alfa's headquarters and were combined with company tours and with shorter discussions with employees in the company. Based on the information collected, case descriptions of the international development in the company were written. The interviewees were given the opportunity to read and comment upon these. To preserve confidentiality, the name of the company is fictitious. In the analysis we compare theoretical aspects identified in the literature review with the development in the case. An explanation-building strategy (Yin, 2003), in which theory is matched against the empirical findings, was used for analysis.

The Alfa case

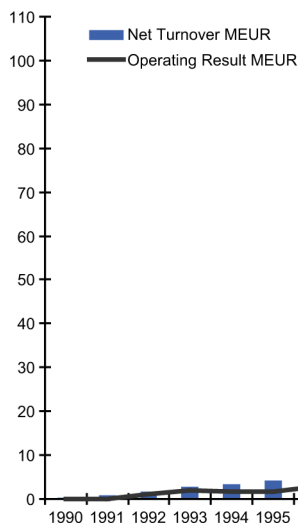
Alfa was founded by four colleagues from a company where they were employed in different positions. The four founders' positions at inception were, CEO, marketing director, production director and head of administration and accounting. Although there were four founders, one acted as lead entrepreneur initiating the start of the company. He saw more opportunities than the owner of the original company and therefore he wanted to start his own business, Alfa, in 1990. Alfa's business is based on Multidiameter technology, protected by patent. Their products consist of a system of cable entries and seals, based on the Multidiameter technology. They also offer custom-made systems. The business concept at inception was stated as follows:

Alfa should develop, manufacture and sell Multidiameter-based rubber seals for cables and pipes, which pass through clearly-defined constructions, where the importance of the protection towards fire, gas, water and electromagnetic disturbances is focused. The world should be our market (the founder and CEO of Alfa).

The entrepreneur who was dominant in the start-up and the main owner (70 percent of the stock of Alfa) has a long experience of international business from his former work for a company in the same industry. He was very marketing oriented and from inception the whole world was regarded as the market for Alfa. The sales turnover in Sweden has never been more than 20 percent of the total turnover. Sales growth has been the overall goal of the company (Figure 1), this goal has been achieved through an aggressive market expansion:

It is better to own a market than to own a factory. Alfa was international from the first day (the founder and CEO of Alfa).

The most important customer segment in the first year was the offshore market. The two most important international markets were Norway and the UK. Alfa's expansion was carried out through international distributors which were found through exhibitions and through the founder's network. Alfa entered approximately ten markets per year, and in 2001 they were present in 80 nations. Alfa were looking for small distributors that focused on only a few products. They did not need to be well-established companies; more important was an entrepreneurial thinking in the management team of the distributors. Some agents were also enrolled on a provisional basis during the first years, but the main establishment mode for Alfa were distributors, due to the importance of a local stock so the distributors would be able to support the market with a valid service. This establishment strategy made it possible to break into many markets despite a lack of resources.



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Figure 1.
Alfa's net turnover and
operating result 1990-2009

The founder and first CEO

There were four people who started the company. However, there was one very dominant person among them, who was the principal leader. As he put it himself:

There can only be one captain on the ship (the founder and CEO of Alfa).

The founder had a long experience of international business from his former work as a CEO company in the same industry. That is he had both industry and international experience. In school he was more practical than theoretically oriented and he has no academic education and he did not finish high school, as he commented:

I was not motivated in school. My best subject was drawing. What I like with business is to create something new, see opportunities and act (the founder and CEO of Alfa).

Already from inception the whole world was regarded as the market for the founder. This global mindset was important for the firm's development. Although the founder was clear in who had the last word, he was also very clear with that he did not have all competencies himself to build a global company. He tried to find individuals who complemented his skills and had different competencies as well as different personalities:

[...] in the board of directors I try to find people who are different from me and have the guts to say no. Sometimes I can be too optimistic about my own ideas so it is important that someone is critical and also point out the risks (the founder and CEO of Alfa).

In the first year Alfa focused on the offshore segment. After a couple of years that segment was saturated and sales did not grow as fast. However, the management was able to see more broadly and also entered other segments such as electronic and construction industries. This segment has totally different ways of marketing and selling the product.

The CEO explained the period of slower growth of the company as a consequence of the CEO's interpretation of business opportunities and not as "real" environmental circumstances:

We thought the product was only applicable in a few industries, however this was just a barrier in our minds. We did not think of all other possibilities that were possible in other industries (the founder and CEO of Alfa).

To be able to see these opportunities the management of Alfa needs to change its cognitive mindset and learn a new approach. A pattern in the behavior of the entrepreneur was his ability to catch and create opportunities that could enhance the growth of the firm. He did not follow the industry recipes in the rubber industry (Grinyer and Spender, 1979). Most producers of rubber are suppliers to other industries such as the car industry and build their competitive edge on cost (a large part of the rubber industry in western Europe and North America has been located in developing countries due to lower costs). The entrepreneur in Alfa did not see the company as a rubber company but as a knowledge company. He defined a new way of doing business in the sector and found a niche where he could develop a competitive advantage.

Company strategy and resources

Alfa started with a vision that the whole world should be the market. This vision was a tool to open the eyes of members of the company. It was also a sign to actors inside and outside of the company that the firm aimed for international growth and not for short-term profit.

The company's inauguration and was financed by the founders' financial resources, the company's profit, bank loans and a loan from ALMI (a government organization, supporting new firms). The founders aimed for long-term growth and wanted to keep control of the company. They did not want to include financiers as venture capitalists, that might want to sell the companies after a couple of years to get a return on their investments. Financing through listing on the stock exchange was not considered, as the founders thought that this would lead to a stronger focus on short-term profits. The continued growth was possible through the company's profitable sales that were invested in new growth activities as investments in new markets:

The effectuator prefers options that create more options in the future rather than those that maximize returns in the present (Sarasvathy, 2001, p. 252).

Although the product is important for Alfa's development it is on the marketing side the CEO has been most innovative. Alfa produces rubber products, yet does not describe itself as a company in the rubber product industry. Instead, Alfa considers itself as a knowledge-based company. They try to out-source non-strategic production, thus the production department is rather small. However, in contrast they have a large marketing department. They are very active when it comes to international activities. The CEO tries to recruit people with international experience to key positions in the organization, to overcome language and cultural differences. Alfa recruited employees that lived in Sweden but have a background in China, Syria and Chile. After a couple of years in Sweden they moved to their former home countries to develop Alfas activities:

The recruiting of people from different cultural backgrounds was a deliberate strategy develop our international business (the founder and CEO of Alfa).

The objective of Alfa was to grow fast internationally and they used all available resources to achieve that goal. However, instead of using market research before deciding which markets to enter, they aggressively entered many markets in short time using a resource lean entry-mode that made losses affordable. Alfa co-operated with distributors, so they could take advantage of their knowledge and networks. Instead of focusing on the markets with the largest sales potential, they could enter many different markets in a short time:

Effectuation predetermines how much loss is affordable and focuses on experimenting with as many strategies as possible (Sarasvathy, 2001, p. 252).

Networks

The founder's local and international networks were important for Alfa's early development, especially during the first years when it was vital in terms of a good position in the local network *vis-à-vis* local bankers who were required to finance the early development. In his former position as CEO in a firm in the same industry as Alfa, the founder had built an international network, which was important for Alfa's international development.

To be able to grow internationally as fast as ten markets per year Alfa preferred not to start its own subsidiaries internationally. Instead it worked with independent distributors. However, in an important market where they could not find any suitable alliances they started sales subsidiaries. The goal was to sell them, preferably by management buy-outs, so they did not lock financial resources into their own subsidiaries. Markets were chosen, primarily where they found distributors with whom they could create a strategic alliance. Distributors were not chosen because they had the best position in the market, but because they were small entrepreneurial distributors that included Alfa's products as an important part of their product portfolio.

Concluding discussion

Effectuation theory gives new insights into entrepreneur's decisions regarding internationalization and the early internationalization pattern in born global firms. The case used here illustrates how the logic of effectuation fits with the early development of a born global firm. First, it explicitly treats both the individual, firm and network level. Second, it includes a pro-active entrepreneurial perspective that better describes the firm's development than earlier theories used to analyze born globals' internationalization. Earlier research has pointed out how the resource-based view (Knight and Cavusgil, 2004) and networks (Coviello, 2006; Loane and Bell, 2006) give important insights into the understanding of born globals. Effectuation theory compliments these insights by including the pro-active entrepreneur and departs from the rational planning view that has been dominant in many earlier studies on born globals.

Effectuation theory puts the entrepreneur in focus. The entrepreneur is regarded as an effectuator, that is:

[...] an imaginative actor who seizes contingent opportunities and exploits any and all means at hand to fulfill a plurality of current and future aspirations, many of which are shaped and created through the very process of economic decision making and are not given a priori (Sarasvathy, 2001, p. 262).

In line with earlier research on entrepreneurship (Gartner, 1988) it is maintained that entrepreneurs in born globals are not regarded as a special type of individuals when it

comes to who they are. Instead this approach focuses on how born global firms are developing and compares that with the behavior of the entrepreneurs in the firms. They are individuals with cognitive limitations, who are influenced by their earlier experiences. These individuals have developed heuristics and inductive logic that leads to the decision that their firms should expand internationally. More research that focuses not only on the individuals' traits and characteristics but also on the managers' intentions, aspirations, motivation, behavior and roles is recommended. Here the research on management and leadership that focuses on management behavior could enhance the understanding of development in growing born global firms. In leadership literature it is concluded that effective leaders are those who can change leadership style in accordance with different contexts (Andersson and Tell, 2009). Indeed:

Effective leaders are those who have the cognitive and behavioural complexity to respond appropriately to a wide range of situations that may in fact require contrary or opposing behaviours (Hooijberg and Choi, 2001, p. 526).

In the case of born globals it will mean that the effective born global leaders are those who can use effectuation logic in unpredictable situations and causation logic in predictable situations. Effectuation logic enhances the understanding of the international behavior in the born global firms. Contrary to earlier research on firm's internationalization, born globals enter many markets in a short time and market choice is not controlled by cultural differences and psychic distance (Johanson and Vahlne, 1977). Market choice in the born global firm is better understood by using effectuation logic, that is, the effectuator uses his own and his companies resources and network and take advantage of opportunities when they are created or observed (Weick, 1979). By using resource lean entry modes, the effectuator can enter many markets in a short time with a low risk. Alfa used different modes of entry, as did many other born global firms, however they preferred to co-operate with distributors, so they could take advantage of their knowledge and networks (Andersson *et al.*, 2006). Alfa preferred strategic alliances with local partners instead of carrying out its own market research on the different markets (Sarasvathy, 2001).

Effectuation logic also gives new insights to international entrepreneurship theory. Earlier research has found that born globals are expanding fast internationally and explained that this was a consequence of a planned niche strategy (Oviatt and McDougall, 1994; Knight and Cavusgil, 1996). Effectuation logic shown in this study finds a development that is controlled by a growth vision but that the entrepreneur is able to see opportunities that are not in line with a plan. These findings are in line with Spence and Crick (2006) who found both planned and emergent strategies in the internationalization of high-tech SMEs. This is also in line with studies that look at opportunities as unknown until discovered (Ardichvili *et al.*, 2003; Kirzner, 1997). Also opportunities are co-created with other agents in an effectuation process (Sarasvathy, 2001; Dew *et al.*, 2009). This study shows that a focus on opportunity discovery ought to further enhance the understanding of the development in born global firms.

Practical implications

For practitioners this study implies that successful internationalization can be carried out without formal market research and that a strategy based on a rapid, but resource lean entry strategy, based on an entrepreneur's knowledge, links to foreign markets

and a co-operative arrangement with network partners, can be successful. This strategy is recommended in contexts where there are no stable structures determining the business logic.

Future research

Future research should include effectuation theory when researching born globals to try to capture the process of internationalization, and include the pre-start phase which is important to understand the further development of the born global firm (Chandra *et al.*, 2009). This study is in line with earlier research on effectuation (Sarasvathy, 2001, 2008). It has pointed out that an entrepreneur's possession of relevant skills, prior knowledge and networks are important factors influencing the opportunity discovery process. Both qualitative and quantitative longitudinal approaches are recommended to take the process view. Observational studies should be especially useful to find out what decision-makers actually do in the different phases (Andersson and Floren, 2008; Mintzberg, 1973). In this study the very early phases of a firm's international development are considered. Earlier research has pointed out that causation logic should be more useful in later stages of a firm's development (Read and Sarasvathy, 2005). In future research it would be interesting to explore how a company deals with the challenges that arise when the company grows (Andersson, 2004) and if it is possible for firms' behavior to change from an effectuation logic to a causation logic. A comparison between the behavior of decision-makers in different stages of the processes ought to give useful implications both for theory and practitioners.

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Corresponding author

Svante Andersson can be contacted at: svante.andersson@hh.se