

Network intermediaries in the internationalization of new firms

Abstract: New firms seeking to internationalise face significant barriers to market entry. Recognising this, policy makers in many regions have sought to identify mechanisms for supporting the internationalization of new and small firms. Drawing on case analysis and the critical incident technique, this paper explores the role of an intermediary network actor in facilitating the internationalization of new firms. Our study suggests that export promotion organisations (EPOs) can act as horizontal intermediary network actors in terms of proactively developing and managing the international networks to facilitate foreign market entry and development of international new ventures operating in a low technology sector.

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INTRODUCTION

The internationalization of new firms is increasingly important for many peripheral and non-core economic regions. Many firms are unwilling to pursue export sales aggressively because of lack of experience, limited resources or other perceived or real obstacles (Francis & Collins-Dodd, 2004). In the network literature, it is recognised that networks are a critical asset in the inception and development of new internationalising firms (Loane & Bell, 2006; Coviello, 2006). Involvement in networks can facilitate the internationalization of new ventures (McDougall & Oviatt, 1994; Coviello & Munro, 1995). Although there has been recognition of the diversity of key relationships that facilitate small firm internationalization, studies have been limited on the role of specific network actors in this process (Arenius, 2002; Andersson & Wictor, 2003). Extant research has mainly studied networks in a broad sense referring to them as social and business networks (Loane & Bell, 2006;), without a specific focus on intermediary network actors. In particular, most studies have focused on international vertical network actors (clients, suppliers and distributors) of established SMEs (Holmund & Kock, 1998; Chetty & Blankenburg-Holm, 2000; Chetty & Campbell-Hunt, 2003) but less has examined 'horizontal' networks such as industry specific export promotion organisations (Chetty & Blankenburg-Holm, 2000; Bell, 1995; Coviello & Munro, 1995; Seringhaus & Rosson, 1995). Export promotion organisations (EPOs) are government supported associations to help firms internationalize, and can intermediate between the firm and foreign market (Wheeler, 1990).

Network explanations of business development partly rely on the distinction between one-off, anonymous market transactions and those which involve additional reciprocal obligations and co-operative relations (Hakansson, 1989). As network

literature on small firm internationalization adopts the position that new venture internationalization can progress through the firms' business network partners (Axelsson & Johansson, 1992; McDougall & Oviatt, 1994; Coviello & Munro, 1997), then it is reasonable to assume that EPOs that engage with the newly internationalising firms can act as influential intermediary network actors in their internationalization process. In this study we seek to examine the role of an EPO as an intermediary network actor, on the internationalization process of Irish seafood exporters. The intermediary organisation is the Irish Government's seafood support agency, Bord Iascaigh Mhara (BIM). We explore how BIM, facilitated the creation and development of networks of three case firms. Within a qualitative case design, this study draws specifically on the critical incident technique (CIT), which focuses on capturing process through a series of discrete events to provide richer contextualised data and richer insight in the process (Chell 2004, Chell 1998, Chell & Allman 1998).

This paper proceeds with a synthesis of the EPO literature followed by a more detailed review of networks in small firm internationalization, thus leading to two research questions. The methodology is described using critical incident technique and is followed by narrative descriptions of BIM's role and the case firms studied. Using tables (1, 2 and 3), we then discuss the critical events in the firm's internationalization process involving BIM. The research questions are discussed, contribution identified, followed by conclusions.

EXPORT PROMOTION ORGANISATIONS

Most studies on EPOs have identified their usefulness on firms' export performance (and therefore the nation to which the firms belong) (Gillespie & Riddle,

2004). Assessing and improving national export promotion strategies have also been deemed one of the “emerging issues in international business research” (Czinkota, 2002). Gillespie and Riddle suggest: “Export promotion organizations (EPOs) aid local business communities to market their products better in the international market place” (2004:462). In this respect, services provided by EPOs and export promotion programs (EPPs) typically seek to bridge the divide between the entrepreneur’s/small firm’s capabilities and foreign market opportunities (Wilkinson, 2006). Ellis argues that the appointment of trade intermediaries can reduce the ‘risk for neophyte internationals’ (2000: 449).

In the export promotion literature, an important issue becomes how to demonstrate that government funded EPOs actually do deliver net benefits. A key observation by Seringhaus (1986) is: “What researchers should determine and management wants to know, is whether or not such assistance has any impact on exporting activity and to what extent such impact manifests itself” (p.61). Some studies have indicated that EPOs provides information services targeted specifically toward new and small exporter needs (Czinkota, 1982; Moini, 1998; Seringhaus, 1987). However, in terms of providing useful services to new and small exporters, EPO efforts have been largely deemed unsuccessful in a number studies although limited (Keesing & Singer, 1992; Thomas & Araujo, 1985; Vozikis & Mescon, 1985).

Further, there have been many attempts to evaluate export promotion programs (EPP’s) world wide and the associated problems (Gillespie & Riddle (2004). The impact of EPOs is typically studied using quantitative techniques with few published qualitative studies (see Riddle & Gillespie, 2003). However, Seringhaus (1987) pointed to the considerable difficulties in determining the effectiveness of programs. Gillespie and Riddle (2004) have called for a “thicker

description” (Geertz, 1973) of EPO activity emergence and development to be captured in embedded case studies. This approach, they argue, would enable the generation of specific theories to explain how and why EPOs determine which activities to offer to their exporters - a key precursor to understanding how EPOs affect firm performance.

NETWORKS AND SMALL FIRM INTERNATIONALISATION

The network perspective of small firm internationalization argues that firms that achieve internationalization often take advantage of network relationships with clients, suppliers and distributors to identify and enter foreign markets and gain access to external resources (Burgel & Murray, 2000; Coviello & Munro, 1995; Johanson & Mattsson, 1988). Members of networks often provide a mechanism for foreign market entry, particularly for young, small and resource constrained firms (Loane & Bell, 2006; Coviello & Munro, 1997; Bell, 1995). Internationalising firms can use relationships within networks as a means of accessing resources, including information (Burgel & Murray, 2000; Chetty & Blankenburg-Holm, 2000; Coviello & McAuley, 1999; Johnsen & Johnsen, 1999; Boojihawon, 2004). Further, most firms are often dependent on co-operation with other firms to get access to external resources and access to customer’s product ideas and information (Pfeiffer & Salancik, 1978; Malecki & Vekh, 1993). This suggests that by collaborating in such business networks small firms can accelerate the internationalization process and achieve success beyond what they could attain on their own (Lu & Beamish, 2001; Coviello & McAuley, 1999).

More specifically, networks help new ventures overcome the liability of foreignness (Zaheer, 1995). The liability of foreignness resembles the liability of

newness in the sense that they both originate from lack of credibility, patronage, stable relationships and legitimacy. New and old organisations face a liability of foreignness when they are new to a market, because they have no history in that foreign market (Petersen & Pedersen, 2002). More generally, when faced with the uncertainty involved in entering new markets young small firms may use their network relationships to help to minimise the risks and thus mitigate against the liabilities of newness and foreignness (Ellis & Pecotich, 2001).

The Role of Intermediary Organisations in Networks

It has been suggested that relationships between two firms should not be viewed as isolated dyads as they are often subject to the influence of other “connected” relationships (Hakansson & Snehota, 1995). The roles of ‘key individuals’ have been identified as essential to network development (Johannisson & Nilsson, 1989). Perry argues that ‘rather than networks are negotiated directly between business owners ‘gatekeepers’ can broker relations for local businesses utilising their extensive contacts ... which is disproportionately responsible for identifying and sharing business contacts’ (1996:70). It has been suggested, for example, that government agencies could assist network development by sponsoring local events which bring small business managers together (Britton, 1989). Business agencies as intermediaries have been identified as advancers and advocates of network formation and development (Sweeney, 1990). These ‘would-be gatekeepers’, possess a rich network of business and government contacts and credibility which typically would be hard to locate for small businesses (Malecki & Veldhoen, 1993).

Johanson and Mattsson’s (1988) network theory has been used to interpret small firm internationalization processes. However, this theory does not consider

intermediary relationships with formal associations, such as support agencies and joint action groups (Chetty & Blankenburg-Holm, 2000). Extant studies have indicated that firms use a wider number of relationships that exist outside of the 'production net' of distributors, customers and suppliers to include horizontal actors such as trade associations, competitors, joint action groups, industry cluster export promotion organisations, consultants and government agencies (Chetty & Blankenburg-Holm; 2000; Coviello & Munro, 1995). Such horizontal actors can fall into the category of what Hallen describes as 'infrastructural networks' (1992). Hallen (1992) refers to infrastructural networks as important non-business actors namely institutional actors that are not directly related to a specific purchase or sale, but who act as vehicles for information, communication, and influence. Similarly, institutional networks have received relatively less attention in the network literature. Institutional actors have been considered influential in industrial networks as they facilitate or distort activity in the business network to bring about change (Hadjikhani & Hakansson, 1996). Prior studies that have explored the role of these intermediary institutional network actors in domestic and international settings have produced mixed findings.

In his paper on two New Zealand based business support agencies, Perry (1996) studied the effectiveness of these intermediaries which sought to assist small business managers identify and consolidate network relations. He found that such intermediary organisations had been of limited direct assistance to network development of the 346 firms and concluded that network relations depended on long-term personal association from which trust and reciprocal obligations emerge (Grabher, 1993). For internationalising firms, findings from a study of rapid internationalising SMEs operating in Spanish manufacturing sectors, found that institutional networks were insignificant for rapid internationalization (Belso-

Martinez, 2006). Instead, the study found that business networks of clients and suppliers were key factors in internationalization. In contrast, Chetty and Blankenburg-Holm (2000) found that the small firms built and maintained relationships with local government organisations such as Trade New Zealand and the Regional Development Boards. These formal intermediaries expedited the formation of relationships for international extension, penetration and integration of networks to internationalize.

Other studies have identified third-party mediator exchange in getting access to potential exchange partners (Bjorkman & Kock, 1995; Ellis, 2000). Officials in EPO-like organisations have acted as intermediary-facilitators for foreign market entry for SMEs (See Chetty & Blankenburg-Holm, 2000; Ellis, 2000). Ellis (2000) uses the example of an official acting as a go-between to facilitate foreign market entry between a Swedish supplier and Italian buyer. The official third party did not play an economic role in this transaction, even though he was pivotal as a facilitator in uniting both parties to pursue a commercial business exchange that would not have happened without him.

This notion of intermediary network actor fits well with Burt's *structural hole* hypothesis (1992) highlighting the importance of personal contacts with individuals and organisations for firms seeking to internationalize. Structural holes are defined as the absence of ties between actors. Burt (1992) suggests third-parties and intermediary actors can be weak ties; they can provide a linkage and fill the structural hole. By bridging structural holes, actors can benefit from establishing ties that bridge these otherwise unconnected actors (Burt 1992).

This study explores how new firms build international networks. As new internationalising firms do not have the benefits of established network relationships

they may be particularly reliant on intermediary network partners such as EPOs in the internationalization process. We focus on two questions: *What role do intermediary network actors play in the network development of INVs?; and how do intermediary network actors influence the internationalization processes of INVs?* We study the internationalization of three new firms, exploring if, and how, a government sponsored intermediary organisation facilitated internationalization. We explore the mechanisms by which the intermediary organisation facilitated internationalization, with a specific focus on the impact of the EPO on the firms' network development.

METHODOLOGY

Our research inquiry relates to how an EPO can impact on the international network development and internationalization processes of new firms. As the present study aims at answering the 'how' questions regarding a contemporary set of events, a case study approach was chosen as the preferred research strategy (Eisenhardt, 1989; Yin 1989). Chetty (1996) has promoted the case study method for allowing researchers to study exporting as a dynamic process. Its strength lies in facilitating the study of the internationalization process from several perspectives and therefore facilitating a more thorough analysis of each firm than is possible in survey research. If the research problem necessitates rich, deep information, then a small set of case studies are appropriate; and, providing that generalisability is not assumed, meaningful findings can still result (Coveillo & Jones, 2004). Case studies have provided explanatory evidence as to the reasons and motivations behind small firm internationalization (Larimo, 2001; Chetty & Blankenburg-Holm, 2000; Holmund & Kock, 1998; Coviello & Munro, 1997; 1995; Bell, 1995).

Within a case study design there are a variety of ways of analysing and writing

up data (Birkinshaw, 2004). This research uses a pure qualitative case design (Birkinshaw, 2004). Network relationships are process-based (Larson & Starr, 1993; Hoang & Antoncic, 2003) and by definition, dynamic rather than static we use the critical incident technique (CIT) to focus on capturing processes through a series of discrete events.

Within each of our cases we used the critical incident technique (CIT) pioneered by Flanagan (1954). CIT is a set of procedures for collecting direct observations of human behaviour in such a way as to facilitate their potential usefulness in solving practical problems (Harrison & Mason, 2004; Ronan & Latham, 1974; Andersson & Nilsson, 1964). CIT was originally used in the 1950s in occupational settings. CIT refers to “a set of procedures for collecting direct observations of human behaviour in such a way as to facilitate their potential usefulness in solving practical problems” (Flanagan 1954: 327). During the 1990s CIT was used as a research method in organisational studies (Chell 2002, Chell 1998, Chell & Allman 1998). Chell (2004) has modified the CIT method by using the interview technique as the main procedure for gathering qualitative data. For example, Chell (2002) used CIT to examine how a set of related incidents impacted on an entrepreneur’s business and personal life. Other extensions and developments to the original CIT method include: identification of a critical episode rather than an isolated event (Cope & Watts 2000); and explication interviewing (to overcome bias problems) (Urquart *et al.* 2003).

CIT has been used, to a very limited extent, as a research methodology in the study of SME internationalization. We are familiar with only two published studies of SMEs that used the CIT methodology: Scharf *et al.*’s (2004) study of the export problems experienced by small international firms and Neupert *et al.*’s (2006) study of the exporting challenges encountered by SMEs in USA and Vietnam. Both studies

adopted a qualitative approach involving the in-depth investigation of a “critical incident to explore the problems and challenges faced by internationalizing SMEs. Neupert et al’s (2006) study, identified incidents, which explored a firm’s “worst nightmare” or “biggest challenge” in conducting international business.

However, Bell et al. argue that the nature of critical incidents should be extended to consider the broader complexity surrounding an incident, and as such can be described as ‘critical episodes’ or ‘critical epochs’ (2001). They conclude that ‘critical epochs’ help bring about internationalization. Extending the focus from discrete incidents to complex episodes allows the researcher to identify and test the criticality of any given incident (Cope & Watts 2000). Despite the inevitable limitation of generalizability of the findings the benefit is that the qualitative methodology using CIT yields an in-depth understanding.

Data collection

As critical incident analysis lends itself to small sample sizes (Neupert et al, 2006) an in-depth case analysis was conducted on three Irish indigenous shellfish farming and processing firms that internationalized from start-up. The case firms selected can be classified as international new ventures (INVs) using the criteria used in previous studies of this phenomenon (Oviatt & McDougall, 1994; Knight & Cavusgil, 1996). To be classified as an INV the firm must have had at least 25% of its total sales in multiple foreign countries within the first year of firm inception.

According to BIM, in 2007 there were 200 Irish indigenous seafood operators. A subset of these two hundred firms were small to medium sized and were active in export markets. Out of these, only 25 were identified as INVs and were subsequently contacted by email. Only 10 firms expressed interest in the objective of the study, in April 2004, however only five agreed to participate in our study. We subsequently

excluded one because it emerged that it operated in a diverse range of sectors, and a second when it became apparent that it was in direct competition with another firm in the study, requiring us to exclude one of the two firms. This emerged after the case process began and was done at the request of the firms involved.

In preparing for our qualitative analysis we reviewed industry reports and secondary documentation, and the web sites of BIM, Irish seafood firms and business support agency such as Enterprise Ireland. We then conducted a number of interviews to get background knowledge on the sector. The first round of interviews were with three industry experts: the managing director of a mature seafood exporter; a BIM official; and a business development officer in Enterprise Ireland. We carried out five personal and telephone interviews with the BIM managing director, and BIM executives in Ireland and France. Then for each case we conducted five to seven on-site personal interviews with the managing directors/owners. One firm had appointed an international marketing manager so we also interviewed her. All personal interviews lasted between one and a half and two and a half hours. The personal interviews were supplemented by a further four telephone interviews with the managing directors of each firm. Every interview was recorded and transcribed.

When respondents identified specific events relating to our research questions we asked them to tell the story of the 'critical episode' and help us to understand its nature and consequences. Prior research has used the CIT technique to identify a critical episode rather than an isolated event (for example, Cope & Watts, 2000). The nature of the incident can be extended to consider the complexity of the event and can instead be interpreted as a 'critical episode'. (See Bell et al., 2003) Following each interview we categorised the data into 'critical episodes' comprising of a series of critical incidents as a means of recording and analysing our data. We identified

critical episodes relating to BIM's direct involvement with the internationalization of the three cases. For each episode we recorded a short summary of the material from the interviews, typically about 40 words. Where possible we sought to triangulate data collection around 'critical episodes', by engaging in an iterative process of questioning, wherein for some of the episodes, we moved between the BIM executive to the case firm founder, the marketing manager.

BIM AND CASE PROFILES

Bord Iascaigh Mhara (BIM)

Bord Iascaigh Mhara (BIM) is the Irish State Agency with primary responsibility for developing the Irish Sea Fishing and Aquaculture industries. BIM/Irish Sea Fisheries Board was established under the Sea Fisheries Act 1952. A stated primary objective of BIM policy is to expand the volume, quality and value of output from the fish and aquaculture sectors. BIM's mission statement is: "Providing commercially relevant and innovative services to the Irish seafood industry that drive growth opportunities, add value, enhance competitiveness, and create jobs in a sustainable, natural resource based industry for the benefit of coastal communities.." (BIM Annual Report 2008).

BIM is the financial instrument for the Irish seafood industry administering Irish and EU funding to qualifying seafood firms. Funding for BIM's development programmes comes from the Irish Government and the European Union. BIM supports a range of activities in the aquaculture sector including R&D, new product development and the commercialisation of products. BIM currently employs 95 employees in its head office in Dublin, with 70 employees in its three Regional offices dispersed around the coast and a further 6 people in its international offices in Paris,

Madrid and Dusseldorf (BIM, 2008). BIM also links itself to the international offices of Enterprise Ireland in Asia and USA as a base when required.

A key objective of BIM has been to ensure that their members are compliant with EU regulations in the area of operations, hygiene and product quality and labelling. Seafood processors operating in the domestic and international industry must have legally complied with HACCP quality controls and regulations¹ Without HACCP approval firms cannot export into Europe.

The Marketing Director of BIM regards the organisation as a business knowledge and support partner to the industry. She described the organisation as follows:

‘You could nearly say that BIM is a consultancy service to the fishing industry. We would be a specialist consultancy service or service provider, providing knowledge-based services to the industry, right from technology and fisheries development, what nets to use, where the fish stocks are, monitoring vessels, quality control, right through to exhibitions at trade shows, commercialisation, offices in France Spain, Germany. So we are taking it right from guys on the boats to promoting it. (The) second important role, financial support to carry out the work, finance underpinning advice we give...’

BIM refers to their 200 members as clients and as one BIM employee describes the relationship: ‘We have a personal relationship with our client base of 200 processors, 70 of which export ... It’s a small enough industry, so we are very one to one with clients.’

With over 55% of Irish seafood produce, and 90% of aquaculture produce being exported (BIM, 2008), BIM is very committed to export market development

¹ Retailers must comply with current food hygiene legislation as stated in S.I. No. 86 of 1998 European communities (hygiene of foodstuffs) Regulation, 1998. Article 15 of this regulation stipulates ‘The proprietor of a food business shall ensure that any step in the activities of his food business which is critical to ensuring food safety is identified and ensure that adequate safety procedures are identified, implemented, maintained and reviewed on the basis of the following principles used to develop the system of HACCP (Hazard Analysis and Critical Control Points)’.

for the sector. A core part of the BIM approach is engaging nascent exporters to participate in the BIM trade show stands as well as financing a large portion of costs for those who have their own independent stands. BIM co-ordinates Ireland's annual participation at the *European Seafood Exposition* (ESE) in Brussels, which is the premier trade event for the Irish industry as the EU accounts for 80 percent of all seafood exports. On the US front, BIM co-ordinates an 'All Ireland' pavilion at the *International Boston Seafood Show* every March. In Asia, BIM promotes Irish seafood at *Foodex*, as part of the Japanese seafood market development initiative with Enterprise Ireland. In the UK, BIM works in partnership with The Irish Food Board called An Bord Bia. BIM also organises the *Irish Seafood Expo* in Dublin every second year and uses their international networks to source potential international and current buyers to come to Dublin. BIM organise and facilitate these meeting between prospective buyers and Irish suppliers as well as financing travel and accommodation of participants. A BIM executive summarised their activities in international markets:

'they (BIM overseas staff) are looking for opportunities, whether it is at an embassy function, etc., they are working as sales agents on the ground ... They are networking all the time ... because that's their job... They will try to move as much product into the export market as we can ... And it's also to do with speed, timing ... the cost of learning is too large. If you can't access markets efficiently, you can't make it viable'.

Case Firm A

Case A is located on the southwest coastal tip of Ireland a two-hour drive from the nearest airport. Peter Munro founded the firm in 1985 with his brother and four other local men. These left the new business within the first year of start-up due to a lack of commitment and an unwillingness to financially commit, leaving Munro to pursue his desire ‘to farm the sea’ as sole owner and managing director. Product diversification has been critical to the international growth of the firm. Since its beginnings, the company’s has evolved from a simple exporter of low value added fresh seafood to a specialist producer of high quality processed product for the retail, catering and secondary processors markets in at least ten markets in Europe, the USA, Russia and Japan. With over 99% of sales acquired abroad since start-up, the company’s annual turnover grew to €4 million by 2004.

Insert table 1 here

BIM played an important role in the internationalization of Case Firm B in a number of ways (Table 1). In the early start-up years, BIM provided financial support. BIM provided grants for 50% of the value of capital expenditure on boating and equipment. The firm experienced steady growth in late 1980s with France, UK and Denmark accounting for 100% of total sales. Prior to 1990 the firm operated from a pier, however, to avail of opportunities in higher value added activities they needed to move to new premises and acquire new technology. BIM provided capital investment to part finance the construction of premises and production facilities so that the firm

could target the higher value added processing sector. As the firm moved towards growing its processing market, BIM further financed the construction of the firm's processing facilities in 1994 and again in 1998. The firm relied on BIM for technical and business expertise and for the implementation of European operational regulatory requirements in the area of HACCP, without which it could not export.

Post the move into high value added sectors BIM was important in providing technical knowledge on R&D and product quality standards and in providing financial support for marketing activities in terms of financing client visits, trade participation, travel and accommodation. BIM have played a vital role in facilitating internationalization, in terms of building networks, acting as an intermediary between the firms and customers and providing foreign market knowledge critical for foreign market entry, (Table 1).

Case Firm B

Joe Black a marine biologist by profession established the firm in 1998. The firm is located on the West coast of Ireland, and is a two-hour drive to the nearest airport. The firm operates in a high-value niche market in the global seafood industry, producing live seafood for restaurants, hotel chains and distributors world-wide. The firm exports 99 percent of its annual turnover, which stood at approximately €1 million in 2006. Joe Black emphasises product quality, professionalism, reliability, on-time delivery and consistency in customer service in his strategy. The firm produces products in waters that have been certified as 'Grade A' waters under the European Union certification system. This has been a major selling point for its products.

Insert table 2 here

BIM has been involved in the international development of the firm in a number of ways. This involvement started prior to start-up (Table 2). Joe Black's relationship with BIM goes back to his time while working in Argot Ltd in mid-1990s where BIM co-financed the infrastructural development of the bay Joe now uses. Argot Ltd. was set up purely as an R&D venture which Joe co-directed with four other engineers and biologists. This assistance then helped Joe to use the bay when he set up his own company in 1998.

Since 1998, BIM have provided marketing support mainly in the form of financial subsidies for foreign travel and accommodation, trade fair registration, and promotional stands and materials; financing client visits abroad; and paying for client visits to the firm. BIM were instrumental in facilitating the firm's entry into Hong Kong and China (Table 1). The firm also partnered with BIM and an Irish University on two major research projects that would benefit Joe's firm (Table 2).

Case Firm C

Founded in 1987 by Liam White and his brother-in-law, Pat Cosby, Case C is a privately owned company, employing eighty people in 2006. The firm is located on the south west of Ireland, two and half hour drive from the nearest airport. Since its humble beginnings from producing crab in the family kitchen, the firm is now one of the largest crab processors in the country. It sells to both business and consumer markets with exports accounting for over 40 percent of total sales. Its business customers are mainly wholesalers, caterers' distributors, processors in Europe and Irish, UK and French supermarkets. The firm has grown rapidly since its inception in 1987, increasing to approximately €6 million in 2006 - an average growth of almost

thirty percent per annum. Foreign sales grew rapidly with aggregate growth of 870% between 2000 and 2004. The firm won a national industry award for export performance in 2000.

Insert table 3 here

BIM played an important role in the internationalization of Case Firm C in a number of ways (Table 3). BIM provided operational support and advice to the firm in the early years of setting up the processing plant. The firm originally operated from smaller premises of about 1,500 square feet, located adjacent to the co-founder's family home. The BIM executive working with them at the time says: 'I remember when I was sent there back in the early nineties ... they were working from a shed beside the founder's house. With a few people sitting around cleaning crabs.' Assisted by two BIM grants in 1997 and 1999, the company undertook a huge expansion programme and relocated its premises to the town's industrial fishing port. In 1999 the Government Minister for the Marine, officially opened the firm's new seafood production plant. Much of this development was funded by BIM (approximately €1.3m). It now owns a state of art 20,000 sq feet processing plant dedicated to the production of seafood, with a production capacity in excess of 20,000 Kg of seafood per day. BIM also provided technical and business expertise so the processing facility could get HACCP approval.

The firm received a further one million euros BIM grant to purchase processing machinery in 2001. By 2002 production output had increased substantially because of investment in state-of-the-art machinery for low-value crabmeat extraction. Since its return to exporting, the firm has used BIM staff to seek foreign

sales and have considered BIM as a more effective alternative to foreign export agents: “I think [that for] developing exports, I would contact BIM for sales acquisitions” says Pat Cosby. BIM was critical intermediating between Case C’s and French customers , which accounts for half of sales (Table 3).

FINDINGS

Table 1, 2 and 3 identifies and summarises key episodes where BIM was involved in the internationalization process of three firms. The incidents suggest that BIM was important in (i) building networks in the international industry; (ii) identifying foreign opportunities and customers; (iii) providing foreign market expertise; and (iv) developing the firm’s export capacity. Each of these areas is now discussed.

Network builders in the industry

As shown in Tables (1, 2 and 3), BIM’s key role in the three cases was to provide information on opportunities and in some cases facilitate introductions with international industry contacts and with customers- that is, building bridges to foreign markets. For EU markets, the case firms used BIM’s international office network as a channel to make contact, enter into agreements and negotiate with foreign customers. Commenting on how they aided the case firms, one BIM executive highlighted how their role was to ‘break the ice...’ with the objective of the firms developing their own networks overtime. He commented that ‘the companies have developed their own networks out there, we are saying, now, right lads, you are on your own ... we have paved the way’. How did the entrepreneurs perceive the role of BIM? Each firm cited

examples of how BIM helped them build contacts and networks in the industry. Joe Black, Case Firm A, commented how BIM helped in making contacts:

They (BIM) can facilitate that by setting up a meeting, they can facilitate by calling them and they say, 'look I have customer in Ireland that has asked me will you meet them'. Some people won't take calls from small companies: they (BIM) can do all of that.'

Similarly, Pat Cosby, Case Firm C, highlighted the role of the BIM 'introductions' at trade shows:

They start introductions absolutely... You are at a trade show and you got the guts of 8-10,000 people going through the show in a two- or three-day period. ...But then you got someone like Louis from BIM, and he would come along and say "so and so is coming along this evening, right ... this is the story on him ... I will bring him around to your stand there"... and Louis would come along and introduce him, introduce the product to him, and say "sit down there and have a chat".

In building these bridges, BIM helps the firms overcome the disadvantages of been unknown in foreign markets (liabilities of foreignness). For example, Pat Crosby (Case Firm C) highlighted how the BIM name is important in establishing credibility with foreign customers:

When somebody like Louis (BIM Paris rep) recommends a company to a customer, it gives the company a certain amount of status.'

Identification of foreign opportunities and customers

All three firms found BIM effective in identifying and promoting sales to prospective customers. All three firms cited specific examples of how BIM had identified and developed specific customers for their firms (see Tables). For Joe

Black, Case Firm B, BIM was instrumental in acquiring a big oyster client in Hong Kong in 2003:

Through their contacts, the association executives brought a Hong Kong buyer over to meet me and other Irish suppliers of live seafood. I followed up with the client after an introduction and plant visit. The Hong Kong buyer remains an important client of the firm today.

Pat Cosby (Case C) highlighted the ongoing role played by BIM personnel in breaking into the difficult french segments :

How the market is structured in different ways, you got wholesalers, supplying restaurants and hotels but also the big thing in these countries...cash and carry's now its difficult to get into those markets. They (BIM) have been very helpful to us for us to get into these markets.

He adds:

what markets and they (BIM) would have the expertise anyway to know where you should be going ... BIM would have marketing personnel and would know or have information about potential buyers.

Foreign market expertise of BIM Personnel

The experiential knowledge and capabilities embedded in the BIM executives were important sources of knowledge for the three case firms. Despite the fact that none of the case founders any export experience at the time of entering foreign markets, BIM had been instrumental on several occasions for the case firms (see Tables 1, 2 and 3) for compensating the founders for foreign market experience. Pat Cosby (Case C) generalises their role in this regard:

BIM are specialists. They have the market they have the contacts, they also have the knowledge built up over a long period of years in terms of exporting. They have people like..... top notch, or that man is unreal. He is also a man to open doors, he knows what's happening. That's how he sees himself, he is not looking down at anybody. He is there to work with people.BIM are most approachable they have the simplest mechanism to deal with..... I mean [our marketing manager] would be contact with BIM Paris on a weekly basis”.

When Pat Crosby (Case firm C) sought to enter foreign markets the knowledge of their BIM executives in Paris and Madrid was ‘invaluable’ he says (Table 3). BIM’s Paris-based executive, had acquired considerable experience of operating in the French market in terms of industry, commercial and socio-cultural aspects of doing business in France. Pat Crosby leveraged the experience of Louis to guide and facilitate meeting institutional and market requirements to ensure that the sales process went smoothly with a large French client. The BIM representative liaised with the large French cash and carry client over the telephone. Commenting on this Pat Crosby said:

The process is extremely complicated; without his (Louis) experience it would be very difficult to understand ... It works over the telephone in person with the buyer in question, and if there is a barrier then any problems (are ironed out) it’s like having an intermediary, between the buyer and the exporter if you like.

Developing export capacity

The findings (Tables 1, 2, 3) illustrate how BIM was proactive in developing and building export capacity in terms of providing financial and operational support for the three case firms; without which their international growth may not have materialised as rapidly. This support was critical to the early development of the case firms as it enabled them to increase their export sales by developing their operational and production capacity; by financing the construction of premises; by financing the purchase of machinery; and by supporting their international logistics for accessing distant markets. BIM was important to Case B at start-up in that it supported the infrastructural development of the bay, which Joe used to set up his company in 1998. BIM supported two important R&D projects which involved Black (Table 2), which subsequently enabled Case B to enter China. Joe Black says:

Their role would be finance and operational running of the project, they would manage the project...By the time it’s finished it will be beneficial to my firm

According to the BIM Marketing Director:

China is an extremely difficult market to penetrate in terms of logistics ... I know China very well having researched and worked over there.. We managed to develop a market for live crab, a major issue is logistics.

Our findings illustrate how BIM supported Case A and Case C in a number of ways. BIM assisted them in obtaining export certification by aiding them with the implementation of HACCP in their processing operations and by financing capital investment in premises and processing technology. BIM enabled Case A to enter the processing market in its early years.

DISCUSSION

What role do intermediary network actors play in the network development of INVs?

In the context of the extant studies, a number of observations can be made that emerge from our findings. Firstly, we argue that BIM as an intermediary network actor was influential in identifying and consolidating networks between the case firm and important international network actors. The relationship that the case firms had with BIM was long-term and co-operative based since early stages of business development. We propose that small firms that have strong and regular relationships with intermediary agencies are critical intangible resource to the INV in that the intermediary is itself rich in information, knowledge, referrals and financial resources for new venture internationalization as well as the network they connect the case firms with (see also Coviello & McAuley, 1999; Coviello & Munro, 1995, 1997; Majkgård & Sharma, 1998). Case findings support and build on Chetty and Blankenburg-Holm

(2000) concept of the extended production net by suggesting that EPOs are recognised as an important network actor in the production net.

Second, in our case firms, BIM played a proactive role in managing the network development process on behalf of case firms. This study concurs and extends Johanson and Mattsson (1988), view that network relationships can control which markets a firm enters; therefore, they can determine the shape of the company's internationalization. Larson and Starr (1993) suggested that the entrepreneurial firm's approach to network development is intentional, calculative and managed process stating this process involves 'the exploration, screening and selective use of network dyads to match the business definition of the emerging firm' (p. 6). We find that the network intermediary, BIM, rather than the case firm (focal firm) emulated proactive tendencies in developing and managing the network for the case firms to facilitate their foreign market entry and development.

Further, INV studies agree that INVs are proactive and strategically aggressive (Chetty & Wilson, 2003) and thus assumes a new firm's approach to network development would be more calculative and intentionally managed. Building the view that INVs can also make reactive choices around internationalization, (Bell, 1995; Coveillo & Munro.1997), we find that our case firms are reactive to the actions of an intermediary network actor. We thus argue that intermediary actor, BIM, can shape and manage their international networks and hence their internationalization decisions.

Fourthly, our findings build on Burt's notion of *structural hole* (1992) by suggesting that intermediary agent fill such 'holes' as demoninated by Burt (1992) can help INVs build international works. Further, Burt (1992) draws on Granovetter (1973) 'weak ties' to suggest such ties fill these 'holes'. Analysis of our findings

denote BIM as a strong tie and we argue that strong intermediary ties can also build bridges on to foreign markets. In support of Uzzi notion of strong tie (1997), our case firms were well acquainted with BIM officials since start-up and relied on their existing relationships with BIM for solutions rather than cast the net wide for solutions across relationships, from access to knowledge, opportunities, partners and referrals. Through BIM, the case firms were given access to BIM's international network of strong and weak ties embedded in their international office network and known to BIM employees' from their prior international work experience.

The nature of the sector places great importance on weak ties and are of greater importance when the distribution of new information flowing through the network is being considered, since people moving in circles distinct from their own will have access to different information. Thus study suggests that strong ties, in the form of an EPO, with access to a wider pool of international ties can fill these 'holes' and create some form of connectivity between actors that would not have been otherwise there.

How do intermediary network actors influence the internationalization processes of INVs? This study finds that BIM played a vital role in the internationalization in the of the case firms for critical resource provision needed to support foreign market entry and growth. Consistent with Resource Dependency Theory (Pfeffer & Salancik, 1978), BIM played a vital role in the internationalization of the case firms by developing the operational capacity needed to export. BIM provided important financial and technical know-how in developing each firm's export capacity. BIM staff were critical in compensating for the lack of foreign work experience and lack of international networks on the part of the case firms. BIM helped bridge the foreign experiential knowledge gap in the internationalization of the

case firms. This meant that the case firms did not have to rely on a ‘learning by doing’ approach to internationalization.

A further important effect for the case firms of working with BIM was that both the liability of foreignness and the liability of newness were ‘reduced’. Getting exposure in new foreign networks and markets can be difficult for new firms. Our cases show that where BIM provided referrals, the prospective customers valued the referral. A referral via an official state agency, provides legitimacy and credibility, and can facilitate entry to a foreign market.

CONCLUSIONS

This paper advances our understanding of the role of an intermediary network actor in influencing small-firm internationalization in the context of new ventures operating in what is regarded as a low-knowledge-intensive sector. CIT, an under-utilised tool in the international business field, enabled us to identify and crystallise events in the internationalization processes of firms. Our study suggests that EPOs can act as strategic intermediary network actors in terms of proactively developing and managing the international networks to facilitate foreign market entry and development of INVs. We argue that strong intermediary ties can also build bridges on to foreign markets and to international networks. We conclude that an intermediary network actor can influence the international network development of new firms and hence their internationalization decisions.

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Table 1: The role of BIM in the internationalization of Case A

Year	Outcome for the firm	Summary of critical episode	Role of BIM	Classification of episode
1985	Technical know-how and financial support to start up	<ul style="list-style-type: none"> ▪ BIM provides 50% of the value of capital expenditure for boats and equipment ▪ BIM technical advisors help with breeding and production of product 	<ul style="list-style-type: none"> ▪ Financial support for plant ▪ Technical and operational support 	- Developing export capacity
1990	Firm moves into processing activity	<ul style="list-style-type: none"> ▪ In 1990 BIM financed the firm's larger on-shore premises, equipped with depuration tanks. 	<ul style="list-style-type: none"> ▪ Financial support ▪ Technical and operational support 	- Developing export capacity
1994 and 1998	New premises and processing plant HACCP compliant for exporting	<ul style="list-style-type: none"> ▪ BIM financed the construction of the firm's processing facility in 1994 ▪ In 1998 BIM financed building extension (increased to 36,000 sq. ft. ▪ BIM assisted the firm with HACCP implementation 	<ul style="list-style-type: none"> ▪ Regulatory and technical knowledge for HACCP ▪ Financial support for new premises and machinery 	- Developing export capacity
2000	Assisted firm in a recovery strategy to survive imminent closure	<ul style="list-style-type: none"> ▪ Temporary closure of Firm's mussel beds in 1998 due to red toxin disease ▪ In 2000 Firm B required to close mussel growing facility for two year period ▪ Firm B facing imminent closure; Irish mussel sector facing closure ▪ In 2000 Munro participated in a BIM-led mission of Irish firms to New Zealand ▪ Peter Munro inspired by experience of New Zealand farms 	<ul style="list-style-type: none"> ▪ BIM international network; exposure to new contacts ▪ Financial support for travel 	<ul style="list-style-type: none"> - Building networks - Identification of foreign opportunities - Foreign market expertise
2000-2002	Foreign market entry into USA	<ul style="list-style-type: none"> ▪ In 2000 BIM alerted the firm about opportunities in the US market ▪ Peter Munro was accompanied by BIM on an Irish Trade mission and to trade fairs during 2000 and 2001. ▪ Munro gets first US buyer at a trade show in Boston through a former business contact working in the US market ▪ BIM assistance in meeting US Food & Drug Administration regulations ▪ In October 2004 sales commenced with client 	<ul style="list-style-type: none"> ▪ BIM identifies US opportunities ▪ Support for trade missions and trade fairs ▪ Provision of advice on regulations in foreign market ▪ Financial support 	<ul style="list-style-type: none"> - Identification of foreign opportunities - Foreign market expertise - Building networks
2001	Foreign market entry into Japan via UK agent	<ul style="list-style-type: none"> ▪ Early in 2001 a Japanese agent based in the UK approached BIM ▪ BIM pay for agent to attend the annual seafood exposition held in Dublin ▪ BIM introduce agent to Peter Munro ▪ Agent visits Firm's plant and a relationship is established ▪ The agent obtains a client in Japan for Firm 	<ul style="list-style-type: none"> ▪ International marketing and network support ▪ Acted as intermediary to initiate introductions and interest 	<ul style="list-style-type: none"> - Building networks - Identification of foreign opportunities and customers
2003	Entry into Spanish market	<ul style="list-style-type: none"> ▪ Peter Munro meets prospective Spanish buyer at Brussels trade show ▪ The Spanish BIM representative contacts client on behalf of Firm ▪ The prospect requests product documentation in Spanish ▪ BIM Spanish office provides translations of product documentation 	<ul style="list-style-type: none"> ▪ Operated as intermediary on behalf of Firm B ▪ Translation services 	<ul style="list-style-type: none"> - Foreign market expertise - Identification of foreign opportunities and customers
2004	Entry into Russian market	<ul style="list-style-type: none"> ▪ In the summer of 2004 the BIM executive based in Germany contacts Peter Munro saying he has identified a marketing opening in Russia ▪ BIM executive urges Munro to attend Moscow trade show ▪ BIM supports Munro's attendance at the Moscow show in September 2004 ▪ Sales leads and clients developed at Trade Show 	<ul style="list-style-type: none"> ▪ Assisted in new market development ▪ Market knowledge ▪ Financial support 	<ul style="list-style-type: none"> - Identification of foreign opportunities and customers - Foreign market expertise

Table 2: The role of BIM in the internationalization of Case B

Year	Outcome for the firm	Summary of critical episode	Role of BIM	Classification of episode
Pre-1998	Infrastructural development of the bay Firm A now uses	<ul style="list-style-type: none"> ▪ Joe Black working for a R&D venture, Argot Ltd. that was preparing a bay in the West of Ireland for seafood production ▪ BIM provided finance and expertise to the project ▪ In 1998 Joe Black sets-up own firm, using the production processes (hatcheries, etc) from the R&D project 	<ul style="list-style-type: none"> ▪ Provision of co-financing support and technical know-how/expertise in developing the ‘production’ infrastructure. Supporting the development of the bay for product commercialisation for export 	- Developing export capacity
2000	Firm was able to land live product into China, which had not been done before	<ul style="list-style-type: none"> ▪ Joe Black worked in collaboration with Trinity College Dublin (TCD) and BIM under an EU-funded R&D programme researching transportation of live seafood ▪ Firm A can now export live product to China 	<ul style="list-style-type: none"> ▪ Project managed and funded the research for identifying solution to enable transportation of live shellfish exports (preparation, packaging, etc.) 	- Developing export capacity
2000	Entry in to Chinese market to supply two clients	<ul style="list-style-type: none"> ▪ BIM executives visit China, and include ‘live crabs’ in the market opportunities they identify ▪ BIM emails Irish seafood firms (including Firm) about specific opportunities in Chinese market ▪ Joe Black discovers an opportunity for his firm ▪ BIM bring official from Chinese seafood agency to Ireland to meet firms, including Firm B ▪ In 2001 BIM organise for Firm A to attend two trade fairs in Dalion and Shanghai, China ▪ Firm signs-up two buyers in China 	<ul style="list-style-type: none"> ▪ Identifies foreign market opportunities ▪ Organises and funds visits by Chinese officials to Ireland ▪ Supports participation in trade fairs in China 	<ul style="list-style-type: none"> - Building networks - Identification of foreign opportunities and customers
2002	Entry into Middle East: new client in Dubai	<ul style="list-style-type: none"> ▪ Sales to Dubai were initiated as a result of an unsolicited contact ▪ Follow-up visit by client to Firm’s premises in Ireland was financed by BIM 	<ul style="list-style-type: none"> ▪ Financial support to facilitate prospect client visit to premises of Firm A 	- Building networks
2002	Greater numbers of live crab exports due to reduced rates of crab mortality in transport	<ul style="list-style-type: none"> ▪ Joe worked on a second R&D project with TCD and BIM to investigate how to lower crab mortality during transport to foreign markets 	<ul style="list-style-type: none"> ▪ Project managed and funded the research for identifying solution to problem of crab mortality in transportation to export markets 	- Developing export capacity
2002	Entry into the Hong Kong market	<ul style="list-style-type: none"> ▪ BIM organise a visit by key buyers in Hong Kong market to Ireland ▪ BIM facilitate visit to Firm A’s premises by a buyer ▪ In September 2003 BIM bring the buyer to Ireland for Seafood Exposition ▪ The buyer visits Firm’s premises and agrees to buy. 	<ul style="list-style-type: none"> ▪ Identified large buyer in Hong Kong ▪ Funded visits by Hong Kong buyers to Ireland ▪ Operated as intermediary on behalf of Firm A in the initial stages 	<ul style="list-style-type: none"> - Building networks - Identification of foreign opportunities and customers

Table 3: The role of BIM in the internationalization of Case C

Year	Outcome for the firm	Summary of critical episode	Role of BIM	Classification of episode
1990	HACCP approved processing plant for exporting	<ul style="list-style-type: none"> BIM assisted Firm C's implementation of HACCP quality standards and Health & Hygiene Directives for setting up a processing factory 	<ul style="list-style-type: none"> Implementation of HACCP compliance Technical advice and support 	- Developing export capacity
1997	Move to larger premises	<ul style="list-style-type: none"> BIM supported company move to larger premises 	<ul style="list-style-type: none"> Financial support 	- Developing export capacity
1999	Built new HACCP compliant processing plant	<ul style="list-style-type: none"> BIM provide financial grant of €1.5 million towards cost of building a processing plant 	<ul style="list-style-type: none"> Financial support Regulatory compliance Technical support 	- Developing export capacity
2000	Decision to re-internationalize led to rapid export growth	<ul style="list-style-type: none"> Decline in domestic sales New BIM French representative visits all seafood processors in Ireland in 2000. BIM French rep. urges Pat Crosby to attend Brussels trade show under BIM stand The firm has its own stand at the Brussels trade show in 2001 and BIM rep. gets three customers for them Firm C commits to re-entering export markets. 	<ul style="list-style-type: none"> BIM advocates re-entering international markets Financing trade show 	<ul style="list-style-type: none"> - Building networks - Identification of foreign opportunities and customers
2001	Increased production capacity; New product lines as waste is converted into a source of revenue	<ul style="list-style-type: none"> Pat Crosby has processing problems- high costs of manual extraction of crab meat Pat Crosby identifies Canadian supplier. BIM provide financial support for Pat Crosby's trip to Canada The firm receives a €50,000 grant to purchase processing machinery from Canadian supplier 	<ul style="list-style-type: none"> Financial support 	- Developing export capacity
2001	Firm C gets onto procurement list of large French Cash and Carry	<ul style="list-style-type: none"> French BIM representative contacts a large French Cash & Carry distributor on behalf of Firm C French BIM rep. acts as an intermediary, sorting problems and dealing with language difficulties, and ensuring Firm C meets customers procedures/standards (Firm C has no French language speakers) BIM French rep. gets product samples to customer (critical given perishable nature of product) Firm C gets on the procurement list of the cash and carry 	<ul style="list-style-type: none"> Operated as intermediary Experiential knowledge of doing business in French Cash & Carry market Translation 	<ul style="list-style-type: none"> - Building networks - - Identification of foreign opportunities and customers - Foreign market expertise
2004	Entry into Spanish market	<ul style="list-style-type: none"> Prior to 2000 the firm had occasional sales into Spain Pat Crosby approaches BIM's Spanish representative seeking help into developing the Spanish market Within a few weeks BIM have identified three prospective customers BIM Spanish office facilitate introductions to the three clients Regular sales begin 	<ul style="list-style-type: none"> Identify prospective customers Operated as intermediary on behalf of Firm C Translation services. 	<ul style="list-style-type: none"> - Identification of foreign opportunities and customers - Foreign market expertise