Evaluating relationship portfolios for internationalizing entrepreneurs: a resource based approach

July 2010

ABSTRACT

This paper has adopted a strategic perspective on entrepreneur's relationships, seeing them as comprising a portfolio of assets that represents a potentially or actually valuable resource. We develop a research framework from the resource based view that recognises the costs as well as the benefits of relationship resources within an entrepreneur's relationship portfolio, and present a model identifying two main considerations determining the value of these resources: relationship strength, and relationship embeddedness in international markets. We then examine over time, the relationship portfolios of eleven software firms from the establishment of their firms until they initiated their first international venture. Strong international relationships are valuable, but so difficult and costly to develop that entrepreneurs invest in new weak relationships which yield few useful outcomes, but domestic brokers often provide useful international links cost-effectively. Entrepreneurs themselves adopting resource based approach, pursuing international opportunities according to their relationship resource portfolios.

KEYWORDS:

Internationalization

International Entrepreneurship

Resource-Based View

Networks

Integration of Pre-Existing Theoretical Approaches

Empirical study

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INTRODUCTION

The importance of network relationships in the internationalization of firms is well and long recognised within various research streams in international business, including internationalization process research (e.g. Johanson and Vahlne, 1977; 2003; Ford et al, 2003), relationship perspective research (e.g. Dyer and Singh, 1998; Madhok, 1995), network research (e.g. Larson & Starr, 1993) and international entrepreneurship research (e.g. Oviatt and McDougall, 2005; Coviello, 2006). Network relationships between firms or individuals are especially critical for the internationalization of small high tech firms (Coviello, 2006; Harris and Wheeler, 2005; Moen, Gavlen, and Endresen, 2004). Our understanding as to how managers or entrepreneurs make these relationships develop and work, how they differ, and how they operate in different contexts and at different phases in the internationalization process remains limited (Slotte-Kock and Coviello, 2009; Ojala, 2009). Here we explore the value for entrepreneurs of different kinds of network relationships in the early internationalization of their firms (Blyer and Coff, 2003).

Regarding an entrepreneur's portfolio of relationships as a firm-level resource (sometimes described as its 'social capital') makes a resource-based perspective appropriate (Wernerfelt, 1984). Network relationships clearly qualify for three of the four criteria that discriminate strategic resource value under Barney's (1991) encapsulation of the resource-based view (RBV), rarity, imperfect imitability and non-substitutability. Overall, the research clearly indicates network relationships to qualify for the fourth, value, but we know little, from a firm perspective, what does and what does not represent value, nor how (Lavie, 2006). In the next section we integrate into our firm-level, resource-based perspective, theory and research undertaken from both a firm-level perspective and from network, cluster or and dyadic levels. This helps us to identify two broad foundations of relationship resource value: relationship strength and relationship embeddedness. We then examine in detail, over time, the relationship portfolios of eleven software firms from the establishment of their firms until they initiated their first international venture, and identify the strength and relationships characteristics of the relationships that are of value in internationalization, and how they offer that value.

We find internationalization is helped by relationship portfolios that include both strong and weak relationships. Further, it is essential that they include relationships with specific embeddedness characteristics that yield access opportunities into new markets. It is very difficult for young entrepreneurial firms to gain strong internationally embedded relationships, so they need to compensate by actively working with weak internationally embedded relationships, and with domestic relationships that can act as brokers to new relationships internationally. Partially confirming Granovetter's (1973) notion of the 'strength of weak ties', this contradicts a widespread assumption in much marketing research that value is mainly attached to relationship strength (Burt, 1992, Morgan and Hunt, 1994): the embeddedness of the relationships within the portfolio is fundamental as well.

Confirming the importance of relationship-creating skills (Harris and Wheeler, 2005), these valuable initial internationalization relationships are weak, but offer prospects for development if the entrepreneurs invest in them. Here, the commitment of a weakly trusted but well positioned relationship is of much greater value that that of a well trusted but poorly positioned relationship. But here we make a second observation: some kinds of entrepreneurs, particularly, those with strong commercial backgrounds seem to have the ability and orientation to develop and exploit these valuable weak of relationships more than others, particularly those emerging from a technical foundation. This implies a dynamic capability: to develop relationship portfolios and not just to employ them as a resource. Further, our adoption of management perspectives shows the role of proactive entrepreneurial action strategically to manage networks and the relationships within them, rather than regarding these as part of the social landscape in which firms are dependently embedded.

In an area where the relationship between new venture internationalization speed and social networks remains poorly investigated (Kiss and Danis, 2008), we believe this study contributes to deepening of our understanding of the role of the management of relationships in the internationalization process. Future research might investigate this relationship development further, to uncover not only how they develop over time, but also what the entrepreneurs can do best to identify, develop and enable the effectiveness those the relationships with greatest value for the internationalization of their firms.

Relationships as costly but valuable resources

Both strategic management and international business research has long been recognized the importance of relational resources and its development and use between firms in network relationships (Koka and Prescott, 2002). For entrepreneurs, it makes sense to work as a cooperative network than as a collection of competitive individualists (Casson, 1997), and for those internationalising from a small country base, working through networks of business relationships is the only feasible way (Chetty and Campbell-Hunt, 2003). For young internationalizing firms, these relationships can be some of the most valuable resources of all (Harris and Wheeler, 2005, Hite and Hesterly, 2001).

Based on the precepts of ‘Austrian’ economics, going through the work of Schumpeter (1942) and Penrose (1959), the resource-based view (RBV) of the firm has evolved over the past quarter century now to be the predominant paradigm of strategic management research (Hill and Deeds, 1996; Rugman and Verbeke, 2002). It is concerned with firm’s unique tangible and intangible resources (Wernerfelt, 1984; Grant, 1991). So strategic management involves accessing unique and appropriate combinations of resources, and configuring and using them in unique ways (Peteraf, 1993; Collis and

Montgomery, 1995). Tangible 'hard' resources such as finance and physical capital are rarely either, so intangible 'soft' resources are normally seen to be the key areas for gaining strategic advantage, and there appear to be three broad types of these: knowledge, networks of relationships and processes. It is in the very difficulty of accessing and developing these intangible 'soft resources', that are difficult to exchange, copy or purchase, that strategic advantage resides (Hall, 1992).

The resource-based view (RBV) sees a firm can only able to gain competitive advantage by taking advantage of and capitalizing on its internal resources skills and capabilities (Grant, 1991), which need to be valuable, rare and difficult or impossible to replicate (Barney, 1991), or need to combine tangible and intangible resources in such a way that the competitors cannot easily imitate them, rendering them unique (Dyer and Singh, 1998). Network relationships qualify here well. Like many other resources, relationships are resources whose benefits are normally not only highly uncertain, but are largely intangible as well. Unlike others, however, they are also not owned nor controlled by the firm; ownership and control, and the rents that might be extracted from these resources are shared. The RBV can, however, embrace assets in which the rents may be shared and in which such firm-, relation-, and partner-specific factors determine the rents that can be extracted, but our evaluation of the value of the resource needs to recognize that 'the nature of relationships may matter more than the nature of resources' (Lavie, 2006, p642).

The RBV sees that achieving and sustaining competitive advantage requires firms to integrate and coordinate its resources toward the realization of a specific task, since not all the resources of a firm are profitable (Grant, 1991). This always requires effort and work and time, and with relationship resources requires high receptivity and a strong learning intent as well (Hamel, 1991), and here, the resource based view has tended to neglect the link between the

> (dis)advantages of an individual firm' and the '(dis)advantages of the network of relationships in which the firm is embedded" (Dyer and Singh, 1998: 660).

So we need to recognize that relationships are not a free resource: they can require investment and maintenance, the costs being financial, in time and attention, and in opportunity costs, so are both tangible and intangible, and the benefits need to exceed the cost incurred (Eisenhardt and Schoonhoven, 1996). As Madhok (2006), discussing his 1995 article that introduced many of these ideas in the field of international business noted:

> .. trust-building is a costly and time-consuming process, the benefits of which are not so tangible and take a while to show up. If so, why would or should a firm incur such expenditures? It would or should do so only when such expenditure can be justified through adequate returns, the potential for which is provided by the presence of structural synergies.

Relationship formation needs to be

> 'driven by a logic of strategic resource need and social resource opportunities' (Eisenhardt and Schoonhover, 1996:137).

and enable access to assets, competencies or capabilities not possessed by the firm, particularly intangible assets and specialized expertise (Oliver, 1990).

For internationalizing young firms, intrinsic to the value of the relationships within its relationship potrtfolio is the nature of the resource, the relationship, and here there are costs as well as benefits; we are concerned with the net benefit. We have seen how accessing the resource within a partner requires a certain strength of relationship, but the development of strong relationships takes time and commitment for uncertain returns. The benefits that concern us here, for firms seeking international opportunities, are linked with the access that the relationships present within international networks, associated with their embeddedness of those relationships within those markets. By developing from a resource-based framework, we can plot individual relationships and entrepreneur's relationship portfolios on a grid that reflects these criteria (figure 1). Next, we will examine research from different streams if international business research on these two criteria in more depth.

	STRENGTH OF RELATIONSHIP	
RELATIONSHIPS ARE:	**Weak**	**Strong**
Not Internationally embedded	Weak relationships not internationally embedded	Strong relationships not internationally embedded
Internationally embedded	Weak internationally embedded relationships	Strong internationally embedded relationships

Figure 1: Relationship strength and international embeddedness for internationalization

The value of relationship strength in relationships for internationalization

Granovetter (1973) suggests that the strength of the tie is a "combination of the amount of time, the emotional intensity, the intimacy and the reciprocal services that characterize the tie" (p.1361) These ties are either weak or strong. Within the various models of relationship strength (Table 2) The most frequently employed measure is trust, notwithstanding very different theoretical foundations. Reflecting the discriminations between levels of trust, affective commitment (based on perceptions, knowledge, beliefs and emotions that motivate individuals to commit) domitate in strong relationships, in contrast to instrumental/calculative commitment in weaker relationships, which is driven by pledges, idiosyncratic investments, sharing of information, and allocation of relationship-specific resources (Dwyer et al., 1987; Gundlach et al., 1995; Geyskens et al., 1996). Strong trust is often regarded to be personal trust, and is thought to embrace a wide range of aspects of trustworthiness rather than a specific type of activity.

Strong network relationships have high levels of social relationship or personal interaction with high frequency (Granovetter, 1985). They carry a number of benefits: members are motivated to be of assistance when called on and will protect others when in insecure positions (Hite and Hesterly, 2001). With these benefits, however, come a reciprocal range of obligations associates with the affective committment. Weak relationships, based less on personal interaction, may provide strategic advantage in terms of resource availability (Granovetter, 1973).

Table 1: Characterisations of different strengths of relationships and types of trust

Author(s):	STRONG RELATIONSHIPS ⟷		WEAK RELATIONSHIPS
Lewiki & Bunker	Identification based trust	Knowledge based trust	Calculus based trust
Barney & Hansen	Strong trust	Semi-strong trust	Weak trust
Sako	Goodwill based trust	Competence based trust	Contractual based trust
Li, Eden, Hitt & Ireland Aldrich, Elam & Reese (1996)	"Friends"	"Acquaintances"	"Strangers"
Chua et al.	Affect based trust (based on emotional links)	Cognition based trust (based on calculated links)	
Williams	*Nonegotistic*: Ethics based trust with conduct norms / empathy; emotions **or** bonds of friendship, kinship	*Egotistic*: coercion or fear of sanctions from some authority (God, law) **or** material advantage or ''interest''	

Marketing and international marketing research has been interested in the role of marketing relationships, where influential research has identified trust as one of two components of relationship strength in business exchange relationships, commitment being the other (Morgan and Hunt, 1994). Other research on partnership relationships (e.g. Larsen, 1992; Ring & Van de Ven, 1994) does not discriminate between the issues of trust and commitment, and sees trust being a function of previous history in partnership, and the processes of negotiating, making commitments and executing those commitments. Much subsequent research sees trust and commitment to be closely related, sometimes dynamically interdependent: investment in a relationship through commitment enhance parties' credibility at the beginning of the relationship and by improving trust, reduce uncertainty and the risk of opportunism (Wuyts and Geyskens, 2005). But when we diverge from relationships only focused on transactions to those valued for other contributions (e.g. knowledge and perspectives) other elements may be introduced, for example, common motivation and partner legitimacy (Hadjikhani and Sharma, 1999; Hite, 2003).

The main concern now does not concern what are weak relationships or strong relationships, but how relationships portfolios change as firms develop, since networks are not static but dynamic. With a tendency for entrepreneurs to form strong ties to similar entrepreneurs (Kim and Aldrich, 2005), with 'friendship', 'reputation' and 'social norms and sanctions' leading to strong long-term relational trust even in young global firms (Svejenova, 2006), it has been widely suggested that entrepreneurs begin with a small number of strong but simple dyadic relationships based largely on personal relationships with family and friends or previous contacts (Larson and Starr, 1993; Hite and Hesterly, 2001). These personal social relationships are essential to provide resources that are crucial for the initial firm growth (Jenssen and Koenig, 2002), and as such, represent some of the young firm's most valuable strategic assets (Hite and Hesterly, 2001; Harris and Wheeler, 2005).

But these strong personal relationships can be more important in the start-up and early growth stage than in later stages (Starr and MacMillan, 1990), and there is a lot of evidence that during the early growth stage, entrepreneurs will expand their network to include weak ties as they are important to gain information on new business leads. The influx of weaker relationships may well be important, because a dependence on strong relationships can be limiting: innovative solutions requires a diverse relationship portfolio rich in both weak ties and structural holes (Rowley et al, 2000). Indeed, Ruef (2002) found entrepreneurs regard their peers positioned in heterogeneous networks comprising strong and weak ties, to be more innovative than those in more homogeneous networks. The new relationships are based more on mutual business interests, so as the number of economic ties increase within the relationship portfolios, social and economic relationships tend to overlap in complex ways. So Hite and Hesterly (2001) present entrepreneurs developing intentionally managed relationship portfolios also rich in weak ties, what Larson and Starr (1993) saw as a complex tie structure, dense with multidimensional relationships, comprising a mix of weak and strong ties. dense set of multidimensional and multilayered organizational relationships.

But this pattern may not be universal, and has been challenged. Greve and Salaff (2003) and Steier and Greenwood (2000) identified the benefits of portfolios that are rich in weak ties, it enhancing the search for new information concerning the development of an entrepreneur’s business plan, but also observed these in the entrepreneurial emergence phase. These different observations have been reconciled; entrepreneurial firms have different patterns of initial founding conditions and post-founding entrepreneurial processes (Elfring and Hulsink (2007). In all cases, the appropriate use of initial personal relations can transform the entrepreneur's personal network into an effective tool for achieving a good firm performance (Bratkovic, Antoncic and Ruzzier, 2009).

We remain unclear, however, whether strong ties more important than the weak ties, and what “drives entrepreneurs to establish and deepen some relationships and not others, and how do they manage their mix of weak and strong ties?” (Elfring and Husink, 2007, p. 1850). Slotte-Kock and Coviello (2009) question the universality of the model of linear relationship portfolio evolution from strong relationship domination into larger intentionally managed portfolios of weak and strong relationships, and suggest a clear opportunity for developing a range of precise models to describe and explain entrepreneurial network development.

C. The value of international embeddedness in relationships for internationalization

Embeddedness is the degree to which individuals are enmeshed in the social network (Granovetter, 1985). This idea of embeddedness is the foundation of the role of networks in the activities of individuals and organizations. Here we are concerned with the international linkages that are fundamental for the international development of enterprises. For an entrepreneur seeking international growth, it is the international embeddedness characteristics of the relationships within his or her relationships portfolios that is of concern, and that is our focus here, rather than the embeddedness of the entrepreneurs themselves. For example, whether the relationships are embedded in the same social environments, on completely different, or in overlapping social environments is critical.

Krackhardt (1992) views these relationships as weak ties as “local bridges” to parts of the network which would otherwise be disconnected, an analogy developed by ***** (2006) in examining the role of such relationships in enabling expansion, and the formation of further new relationships, in new international territories. The extent of these relationships, which are embedded in *different* circles to the entrepreneurs, can enhance the ability of entrepreneurs to spot opportunities (Ardichvilli et al, 2003) and acquire resources from within those circles (Batjargal, 2003; Burt, 1992). They can increase a firm’s reputation as a serious and valuable partner, which discourages opportunistic behaviour in inter-firm relationships in the territory (Williamson, 1991). A strong social position and reputation of a relationship in a network can help build trust, awareness and visibility, (Eisenhardt and Schoonhoven, 1996, Powell et al., 1996). So here, we are concerned with different *international* circles and networks, and clearly, there can be value for an entrepreneur in a relationship embedded in some networks more than in others; in some territories more than others.

These relationship linkages in other countries are critical for early internationalization. Welch and Luostarinen (1993) suggest that the individual with whom the entrepreneur has a relationship can offer linkages to networks which they are a part of in other countries. These personal relationships have been found to open the doors for new foreign market opportunities and build further market knowledge (Harris and Wheeler, 2005).

There is evidence, however, that entrepreneurs’ rely very heavily on their egocentric networks: direct, dyadic ties, with the entrepreneur at the center (Hite and Hesterly, 2001). These are advice networks that open doors to information in the chaotic environment in which they operate (Krackhardt, 1992). This inter-entrepreneur advice sharing is crucial and is respected because of the trust established in intense networking, frequently based on shared past experiences and repeated interactions, which lowers the transaction costs appreciatively (McGrath, Vance, and Gray, 2003; Mesquita and Lazzarini, 2008).

If an entrepreneur's relationships portfolio is based on egocentric ties, whether he or she enters a foreign market or not depends on his or her own personal relationships. Indeed, Johanson and Vahlne (2003) found successful entrepreneurship to be based on the entrepreneur's existing personal network, which determines the access to foreign markets and also governs the internationalisation learning process (Zhou et al., 2007).

Many studies have observed that these personal relationships are important at later stage of internationalisation as well (Halinen and Tornroos, 1998). Indeed, domestic personal networks continue to rank higher than international social networks in internationalizing Finnish SMEs (Holmlund and Kock, 1998). It is possible here that the pattern of weak relationship development that was observed in entrepreneurial development more generally is presented with additional barriers, including the 'liability of foreignness' and cultural barriers, when the needed new weaker relationships are in foreign territories (Harris and Wheeler, 2005). These additional hurdles, on top of egocentricism, may be too great to overcome, notwithstanding the necessity to do so for enabling international success.

Even though social network researchers have observed extensively contexts of personal relations (Grossetti, 2005) and entrepreneurship research has focused on network relationships (Larson and Starr, 1993, Hite and Hesterly, 2001) there has been relatively little direct study of the personal relations of international entrepreneurs in entrepreneurial firms at the initial stage of entry into foreign markets is limited, and we know little about how personal networks have been used in entrepreneurial firm's in the initial internationalisation of the firm.

	STRENGTH OF RELATIONSHIP	
RELATIONSHIPS ARE:	**Weak**	**Strong**
Not Internationally embedded	Weak relationships not internationally embedded *Benefits*: Readily accessible without large time investment *Costs*: May not commit to the task; Does not have the access to opportunities sought	Strong relationships not internationally embedded *Benefits*: Trusted to commit to the task *Costs*: May need continued large investment of time and other resources to maintain; Does not have the access to opportunities sought
Internationally embedded	Weak internationally embedded relationships *Benefits*: Readily accessible without large time investment; Has the access to opportunities sought *Costs*: May not commit to the task	Strong internationally embedded relationships *Benefits*: Trusted to commit to the task; *Costs*: May need continued large investment of time and other resources to maintain

Figure 2: Relationship strength & embeddedness for entrepreneurial internationalization

This leaves a number of questions about which we still have little idea. Does the pattern of weak relationship extension that has been noted in entrepreneur's network developmemt also extend to weak tie extension overseas, or does the egocentric dependence remain within entrepreneur's relationship portfolios, as has been suggested in the research into international entrepreneurs? How do international entrepreneurs develop their international relationship portfolios to enable their overseas expansion? Specifically, and with reference to the resource-based model developed earlier, (Figure 2) how do they reconcile the need for the trust necessary for taking substantive international risks with the need to have relationships in other territories? How do they manage without strong internationally embedded relationships, which are unlikely to be available? Do they instead rely on strong relationships that are not internationally embedded, which would seem unlikely to have much value for internationalization? Or do they work with weak internationally embedded relationships, which seem to hold more promise, notwithstanding little evidence of their use?

METHODS

This study employs a multiple case study approach to explore the relevance and usefulness of the framework outlined above. This approach, formalised by Eisenhardt (1989) and Yin (2003), is a particularly appropriate way to explore complex ideas concerning personal networks of international entrepreneurs in emerging entrepreneurial firms within complex empirical settings. Case study design methods, involving interview and archival data, are appropriate for uncovering such contextual or complex multivariate conditions rather than isolated variables (Yin, 2003). Her we sought to explore the notions of relationship strength and embeddedness within emerging internationalizing firms to a point of data saturation, and to give the assurance that theoretical generalisation was possible to an extent that propositions for further research could be made (Silverman, 2006). We wanted to identify the outcome of the development of the relationships, to evaluate entrepreneurs feelings towards this, and to identify if the resource-based conceptual development had some validity within these firms. For this we needed to observe as thoroughly as possible the context of the relations of international entrepreneurial firms and the nature of these relationships.

Hoang and Antoncic (2003) in a review on the literature on network based entrepreneurship make a plea for more qualitative research in this area and argue that the potential contribution of such studies far outweigh their limits. Indeed, other studies which have observed social networks or business networks of entrepreneurs have mostly adopted using qualitative case study approaches.

We will study firms the networks or relationships of 12 new international entrepreneurial firms that had been independent start-ups originating from one location, the country of Iceland. All the firms studied were identified to be in the initial stages of internationalisation. All the firms were software firms in the software technology who focused on the mobile technology industry. At the time of data collection they were all relatively small, with less than 30 employees and had entered foreign market within 3 years of conception. Jones (2001) and Luostarinen and Gabrielsson (2004) argue that managers of high technology ICT firms tend to be young and technically competent but lack experience. The firms all met the size, age and export criteria used by Oviatt's and McDougall's (1994) definitions of International New Ventures.

A single and narrowly defined sub-sector was chosen in order that it would be possible, within complex settings, to narrow down on managerial and relationship variables as much as possible. This sector was chosen because there have been a many companies of this type originating from this region, and because choosing this sector enables us to make a good comparison with a number of other studies in this sector. Iceland was chosen as the country of origin due to its being an open economy, but one with an extremely limited domestic market of 315000 people meant that internationalisation is a necessity for all Icelandic software firms, and is not an option for further growth. Theoretical sampling logic (Eisenhardt, 1989) was used to identify gather and select cases for the study from within the population.

Figure 3 shows the eight detailed stages of the research, but these themselves responded to the unfolding outcomes of the exploratory research process. The number of cases examined, for example, was determined by an assessment of data saturation; in practice, this was assessed to have taken place after nine firms were researched. The research uses extensive, multiple sources of information in the collection of data. This includes open-ended in depth interviews, participant observation and other material which can give detailed information on the use of networks, and their context.

Stage I:	Case firm identification, checking and follow-up	Firm Identification from secondary sources Checking of fit to sample frame through secondary sources; Identification of entrepreneurial leaders and soliciting of support for the study
Stage II:	Longitudinal parallel participant observation	Social networking site interaction begins with all participant entrepreneurs. Continues throughout the data gathering process, for 3 months.
Stage III:	Interviews	100-350 minute interviews of 12 entrepreneurial leaders at their firm headquarters
Stage: IV:	Archival data collection	Public and, where available, private data archives retrieved and searched to achieve data triangulation
Stage V:	Primary Data coding	Coding of all data against coding categories from the theoretical frameworks
Stage VI:	Analysis	Analysis of adequacy of explanation and observation of gaps; identification of additional elements
Stage VII:	Data recoding	Recoding of data against additional coding categories
Stage VIII:	Overall analysis & re-evaluation	Analysis of adequacy of explanation and observation of gaps

Figure 3: The research design

Stage I: Case firm identification, checking and follow-up

Case firms who would fit our inclusion criteria were identified from secondary sources, such as the financial media and internet, and through networking processes: in such a small locality, successful entrepreneurs are typically well-known to one another through a range of social and business ties, and through these, access and agreement to participate in the research process was solicited.

The reviewing and checking procedures resulted in 12 businesses who agreed to participate in this exploratory study and who were eligible within the criteria frame, a number that Eisenhardt (1989) suggests is likely to be sufficient to lead to data saturation in qualitative case analysis. Descriptive data on these cases are shown in Table 1. Considerable focus was placed in this study on collecting data in different stages according to principles suggested by Yin (1994), and particularly on gathered data from both secondary and primary sources, to enable data triangulation. For this reason, all the firms studied had stock exchange listings, and because of that, had to abide by at least a minimal level of public notification and audit.

Stage II: Longitudinal parallel participant observation

Then, based on the ethnographic approach of 'naturalistic modes of inquiry' (Gill and Johnson 1997, p.96), an extended phase of participant observation was enacted, in a particular way. The Participant observation consist of actively following the development of the networks of the participants on LinkedIn, a professional social network on the web that is a normal way of working for entrepreneurs in this sector. In cooperation with the participant entrepreneurs, we also followed various links and how they affect the development of the business. All comments or discussions which are either directed to the researchers or to any of the links were studied.

Table 2: The case firms – descriptive data.

Case	Business activity	Year established	Role	Age	Entrepreneurial type
Redspray	Mobile social matching software	2000	CEO	46	Non-tech
Stiki	Information security software	1998	CEO	50	Tech
Gogogic	Web solutions for the music industry	2006	CEO	32	Non-tech
CCP	Automation for food industry	2003	CEO	36	Non-tech
Midi	Ticketing software &ticket web service	2005	CEO	30	Tech
Mindgames	Sleep analysis	2005	Founder	30	Tech
Mobilitus	Mobile technology	2005	CEO	44	Non tech
Medizzo	Broadcasting technology	2008	Chairmn	38	Non-tech
Dohop	Flight search engine software	2004	CEO	48	Non-tech
Data Market	Data Mining	2008	CEO	36	Non-tech
Clara	Software for web crawling	2008	CEO	26	Tech
Betware	Software solutions for gaming	1998	CEO	52	Tech

The researchers set up a Business Network Research Group on the social network site included all of the international entrepreneurs being studied. To avoid cueing and to ensure that ensure that a-priori research notions were not inserted into the participants' responses, no formal discussion or requests for comments or ideas on the Business Network Research Group on LinkedIn was started prior to interviewing the candidates. This participant observation started in March-April 2010 and the researcher observed the number of ties over a 3 months period, examining especially the geographical setting of ties and background of those linked to the individuals being studied.

Stage III: Interviews

Almost all network studies have been conducted by means of personal interview (Matzat and Snijders, 2010). Our interview informants are the entrepreneurial owners of the firms, and post-hoc analysis of the interviews confirmed that they were the driving entrepreneurial forces of the firms and the focus of the social and business relationships. The interviews ranged from 90 minutes to 180 minutes in length, and were conducted in the Icelandic language. The principle followed in the interviews followed Kvale and Brinkman's (2009) view that

> The qualitative research interview attempts to understand the world from the subjects' point of view, to unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations. (2009, p.1)

As Yin (1994) notes:

> The use of extended questioning and discussion with entrepreneurial managers with a free flow of response generates rich data and unravels the complexity and holistic nature of management issues and decision.

In an open-ended interview, the respondents were asked to comment about specific issues, the interviewee participating in the process by giving extra input, providing insights into events or making other suggestions. For the purpose of name generating and name interpreting a number of questions were posed to the interviewee which provided some structure to the interviews, in the three step approach commonly employed to collect personal network data (Matzat and Snijders, 2009 and Burt, 1984). First, the participant is confronted with a name generator where she is asked to list a limited number of individuals with whom she is in close relationship with. Second, a series of questions, called name interpreters, follow about the characteristics of the individuals who he/she is in relations with and the relationships they have. Third, further data about the relationships between the participant and the individuals she has named are collected. This led to a list of relationships which can be defined as ties and gave indications about the strength, embeddedness and value of those ties. Variations in the set of initial network ties may have consequences for the development of the SME (Greve and Salaff, 2003).

Other questions were addressed as well. The importance of the role of knowledge of the foreign market and its intensity was investigated as an influencing factor determining the speed of entrepreneurial internalisation (Oviatt & McDougall, 2005). Interviewees were asked how network relationships affected the process of growth and international development, about the strengths of the relationships. The network size and density was examined, and the entrepreneurs were questioned as to how accepting they were of initiatives introduced by others (Tung, 2001).

Stage IV: Archival data collection

In the case of the open ended interview, it was important for us to avoid becoming dependent on the single informant within these entrepreneurial firms, so we sought verification data from other sources to achieve as high a degree of data triangulation of primary data sourced from interviews as possible, because of the possibility of respondent exaggeration. Secondary data included external official documents (e.g. annual reports, stock-exchange listing documents etc), internet sites (of both the firms themselves and of external bodies such as stockbrokers), written and visual media documents (e.g. newspaper reports and television programmes) and internal documents and archival data (e.g. firm histories). These were subjected to analysis, mainly for the purposes of data triangulation, beyond that achieved from the multiple interviews (Sharpe 2004).

Stage V: Primary data coding

Data coding involved content analysis of interview notes and secondary data with coding categories derived from the international business research noted above that had been determined a-priori to be of likely relevance. A significant danger here is confirmatory evidence bias; this was minimised by the requirement of both source: source data triangulation (with use of different sources of interview and archival data on each) and case:case data triangulation, where evidence was sought from more than one source (Huberman and Miles, 2002; Silverman, 2006).

Stage VI: Data Analysis

Data analysis involved interpretation of the case data within paradigms of understanding that, a-priori, appeared to have relevance. The analysis here involved identification of the aspects of the international business behaviour that appeared to be adequately explained by the theoretical constructs, and identification of aspects of the business behaviour that was not. Areas of behaviour that were not well understood were collated and associated with other frameworks that appeared to have value.

At this stage we found, different resources flowing into the entrepreneurial firm through the founding entrepreneur according to their background. We also found views on networks and different network structure to differ according to their background or perceived background as tech-enterpreneurs or non-tech-entrepreneurs, so we then distinguished between these two types. and Non-tech entrepreneurs. ‘Tech entrepreneurs’ perceived themselves to have a technical background, an educational background in technology, who, most importantly, are continuously motivated by development of new technology. ‘Non-tech entrepreneurs’ perceive themselves as being generalists, often with business or management background but sometimes wit technical backgrounds not actively utilised in their current venture.

Stage VII: Data recoding

Data coding at this stage involved content analysis of interview transcripts and secondary data as in stage V, with the same checks and controls. Here coding categories were derived from other streams of business research identified at stage VI. Codes were added until there was a more complete explanation and understanding of the business behaviour patterns that has been identified.

Stage VIII: Overall analysis & re-evaluation

The analysis of each firm was fed back to the founders to confirm that there had not been coder or analyst misinterpretation of the business behaviour observed. The overall assessment then involved comparison of the extent of explanation offered by the coding categories from the different research streams, and equally important, the extent of overlap between the different research streams, which provided evidence of combinatory or additive explanatory power.

There were some limitations in this study, which are an inevitable consequence of the subject of study. Gaining access to the phenomenon under study requires gaining extended access to the particular individuals who are the leaders of these firms, which is not easy. So this is a representative, not randomly selected sample of these types of firms, since these firms are relatively rare and the respondents had to have personal trust in the principle researcher for the deep access required to be available. The conduct of the interviews in the Icelandic language presents the inevitable risk of translation error, but here the overall danger is more limited by the relatively straightforward concepts used within the analysis, and the checking and feedback procedures that the researchers undertook.

FINDINGS

This paper observes the initial international network links of the participating entrepreneurial firms which led to their first international transactions and the development and affects of these business first transactions.

The internationalisation of the firms in this study was both sudden and required very large scale change, of a type noted by Chetty and Campbell-Hunt (2003). The first foreign transactions meant that many of the firms had to scale up significantly, with the new contracts many times the size of those they had done before. This put pressure on their existing networks, on which they relied, to learn how to overcome various barriers to conduct business with the new foreign partner. At this early stage, the sparse weak ties which the entrepreneurs had abroad represented a significant weakness in the operation.

The twelve case firms named 277 relationships 190 weak and 87 strong, 58 internationally embedded (of which just 5 were also strong, see Table 3). In the coding of the interviews the weak international relationships were different from the domestic ties in that they were mainly with marketing and sales people, and partly with foreign investors. Interestingly, only two ties were mentioned which focused on product development or R&D over borders. When it came to the evaluation of international ties, weak and strong, among the entrepreneurs there were some interesting findings in this research. The areas of our questions are now examined.

Table 3 The firm's relationships: Strength and international embeddedness

Case	Strong		Weak		Total Number of Relationships
	Domestic	International	Domestic	International	
Redspray	2	1	9	7	19
Stiki	8	0	13	3	24
Gogogic	5	0	21	3	29
CCP	5	2	11	7	25
Midi	7	0	8	6	21
Mindgames	7	1	14	5	27
Mobilitus	6	0	12	5	23
Medizzo	5	0	12	6	23
Dohop	4	0	8	6	18
Datamarket	10	0	12	0	22
Betware	11	0	10	4	25
Clara	12	1	7	1	21
TOTAL	**82**	**5**	**137**	**53**	**277**

The value of strong internationally embedded relationships

The interviewees indicated that even though in many cases they saw their large network of weak ties abroad as their strength, strong internationally embedded relationships would be the key to their international venturing. Their weakness was also the lack of strong ties: the strong international relationships are very rare, with only 5 being mentioned at all. Even though the strong foreign relationships were rare, they were highly valued by the firms in many ways:

> Our first contract was through the foreign board member who has been very dynamic in his work, helpful and we often keep in touch on a daily basis. He is a board member for the American Fund which is a shareholder in the firm. His personal network helped a lot. [Clara]

> Our search for international contacts was by emails which we sent to the headset makers and told them about how our software could be of value to the these producers. One individual within one of these companies became our contact and we have established a very honest relationship with him. He then left the company but he is still our major contact and connector. [Mindgames]

It seems also that physical closeness to individuals and business networks still is an important element in the development of the firms. Two of the interviewed had recently moved back from London, where they lived for several years. The interviews indicated that their networks had changed significantly as they moved back to Iceland as many of their 'foreign' network links faded or became 'inactive' as one of the interviewed phrased it. . This is in line with Duque's (2007) finding where scholars, returning to their home country, reported strong continued collaboration with mentors in the exterior which then tended to fade in due time. Even though software firms in an economy which is distant to neighbouring markets do not have to suffer from export costs, distance still seems to be a significant hurdle for small firms in a small and distant economy.

Four of the interviewed named specifically domestic contacts which had meant a turning point for the firms in terms of their internationalisation. In two cases there was mention of a CEO of Iceland's largest gaming firm which had assisted them in their internationalisation:

> ... the CEO of (the Icelandic) CCP, (who is Icelandic), had introduced us to these guys in the US.

The CEO of the gaming company was defined as strong tie but he is a domestic tie. Also, former CEO of a telecom company was mentioned as having initiated the first venture abroad and one domestict firm was mentioned as crucial partner in the initial internationalisation:

> Our first international contract which was with a Danish firm came as a result of our relations with a similar firm in Iceland which was in a Nordic group with the Danes. They opened the doors for us in Denmark and were very crucial for our initial internationalisation. [Betware]

Even though, strong ties appear to be relatively unimportant in terms of the pursuit of opportunities, which is in line with Laanti, Gabrielsson and Gabrielsson (2007) in their study on wireless technology software firms in Finland, the strong foreign ties appear to be of significant value to the participating entrepreneurial firms and their most sought after embeddedness.

Dominance of weak ties in the relationship portfolios

The initial internationalisation of the cases being studied was based on strategy of exploration which is in line with other studies in this field (Laanti et al., 2007, Sharma and Blomstermo, 2003). Actively, but quite randomly, the firms sought contacts wherever they saw a possibility and the majority of the relationships involved were weak. The firms seemed mainly to rely on weak network contacts at the entry into foreign markets rather than established relations, not because the did not value such relationships, as we have noted, but because they did not have them. A large number of weak relationships matches this strategy of exploration best, contradicting the conclusion that internationalising firm's network relations are dominated by strong social or personal elements (Ellis, 2000; Harris and Wheeler, 2005). None of the entrepreneurial firms were key actors in a sparse network at the time of internationalisation as previous studies have indicated (Coviello, 2006).

The participants identified opportunities through their weak ties in their first internationalisation efforts, and their first moves towards internationalisation was not highly planned, and lacked strategy, they clearly not having much knowledge as to how to foreign markets. The relationships developed coincidentally; first internationalization arose by relations they happened to come across rather than as a result of a formal strategy, in line with Chetty and Campbell-Hunt's (2003) finding of firms entering markets by trial and error and opportunities were utilised as they emerged. This is in line with Coviello and MacAuley's (1999) research suggesting that it is likelier that entrepreneurs develop relationships that they happen to have, rather than set clear objectives and plans to develop them, but differs from Ojala (2009) finding of most of the Finnish software firms making a strategic decision to enter the Japanese market before they started to search for network relationships. In the Icelandic cases, the firms did not select the countries to enter in the beginning:

> One of our cofounders was living in Denmark. He decided to visit three Danish firms which all resembled ours. He called me and said that he liked one of these firms particularly. I then called them up and we began relations which led to our first major international move. [Midi]

Only Stiki systematically mapped international opportunities, but it did not deliver significantly better outcomes than any of the other firms.

There seems to be a growing trend to establish large networks of weak ties on the social sites on the worldwide web, and the case entrepreneurs seemed to put value into these, though suggested they were not actively enlarging them. The participants indicated that their relationships network had increased in recent years, in part because of this. However, the interviewed were not sure what would come of this, they commonly being seen as 'safety nets' and possible opportunity openings, mentioning issues as referrals, trust and identity regarding relationships in general and several mentioned them specifically regarding the web. This is in line with Hite's (2003) findings of entrepreneurial firms that relationships do not have to be based on transactions to be valued.

The importance of the background of the founding entrepreneurs

As previously indicated, we found, inductively, different resources flowing into the entrepreneurial firm through the founding entrepreneur according to their background which we categorize as 'Non-tech entrepreneurs' and 'Tech entrepreneurs'. While there were some similarities, there were differences in the relationship portfolios and they devoted different approaches to their management of personal relationships, confirming the view that different founding conditions lead to different relationship structures (Elfring and Hulsink, 2007).

The *Tech Entrepreneurs* tend to have more strong ties compared with nontech-entrepreneurs, and they were different. In the earliest phase the relationships portfolios mainly comprised strong ties with family and friends and colleagues who had the same technical educational background as theirs, though family played no role in the internationalisation phase of the entrepreneurial firms. The tech entrepreneurs placed high value on inputs from these high trust family ties, and established their firms based on them, family often becoming cornerstones of their firms even though family was defined as 'outsiders' to the business.

As Elfring and Hulsink (2007) found, the strong ties were often 'outsiders', as family and friends, while the weak ties were mostly insiders. The entry strategies were mainly informal. Stiki, for example, started its international business in the UK, even though it had good relations with former professors at a German university, and these ties became valuable:

> This friendship has been valuable to keep up with current affairs in Germany and the culture. I feel that I am much better equipped to talk to potential German clients due to my ongoing friendship with Germans. [Stiki]

The *non-tech entrepreneurs* relied on broader relationships to start with, weaker relationships and less related to family. In the emerging phase the non-tech entrepreneurs had similar number of strong relationships, though few family and friends, and many more weak relationships, on which they placed greater reliance. The non-tech entrepreneurs showed placed major emphasis on the value of personal networks and had significant knowledge about how to strengthen them. They all had domestic contacts at the start, but none had had none having a network of strong international relationships. International networks were only described on prompting:

> Since I moved back from London in 2008 my foreign network had become inactive. But it is still there and if I need it I can activate it. As soon as I would move back to London my personal global network would become much more active again. [Medizzo]

The non-tech entrepreneurs had invested considerable time, effort and money developing a large portfolio of weak international relationship. This had been costly in time meeting investors, other people, going to conferences and participating in networking activities. The effort had yielded a large portfolio of weak international relationships that provided a mechanism for exploring opportunities. But none of the non-tech entrepreneurs, even those that described in depth and pride their global network of relationships, had found any of these relationships to be of significant value in the first internationalisation. This pre- internationalisation international relationship pool was a 'safety net' to be used whenever needed, but had not been a practical network for the entrepreneur to utilize. Only their domestic portfolio was active, and was of value for initial of the internationalisation. As one participant noted when asked about initial internationalisation of the firm:

> 'An Icelandic CEO of a large and successful web gaming firm introduced us by 'Mutual Intro on Email' and that is how these relations started.'

So while all the firms (both tech and non-tech) had at early stages a strategy to expand abroad, defining themselves as operating global firms, personal international relationships had not played a role in the early stages of the internationalisation and none had large active international networks.

The role of brokers

Several of the non-tech entrepreneurs displayed activity that made them brokers, one declaring 'I have always been meeting people and creating relationships; and another 'I find myself assisting new firms in establishing relations similar as the big ones had done for me in the past'. The holes in networks Brokers are individuals connected to large groups of individuals who act to fill the structural holes in the networks, thereby create competitive advantage themselves and those they work with (Burt, 1992).

The concept of brokers in networks have been widely studied. Chetty and Campbell-Hunt (2003) note that internationalisation can be speeded up through the firm's distributors who have alliances with other top international companies. In the inteviews it came clear that other brokers fulfilled important roles to play for these entrepreneurs in the creation of first international relationships, and the participants relationship portfolios contained a nuber of brokers, both weak and strong relationships. Two used a business partner or aquaintance who was embedded within a network to start their foreign transactions:

> The first significant international contract we made realised through an Icelandic contact. The CEO of the largest game company in Iceland introduced me to people at a software company in the USA. They introduced me to an employee, a technician who then transferred over to another large firm og through these relations the cooperation began with Nickelodeon in the USA. [Gogogic]

> An Icelandic business acquaintance called me some three years ago and said: "I was talking to a friend of mine in the US who is looking for someone who can do something on the mobile front." This American guy called us some days later and asked whether the Icelander had mentioned him to them? This contact realised into our first foreign contract. [Mobilitus]

Interestingly, in both cases the brokers were domestic, had a strong network identity and filled certain holes in the network. This shows that some domestic relationships can be critical in the development of international relationship portfolios, as Harris and Wheeler (2005) highlighted.

DISCUSSION

In this study, we have explored how entrepreneurs use their personal networks in internationalisation. Our findings spell out distinctive patterns of network development of entrepreneurs who enter international markets. We find that, in line with previous studies (Bell, 1995; Coviello, 2006; Coviello & Martin, 1999; Coviello & Munro, 1995; Zain & Ng, 2006), first foreign market entry mode choice to a psychically distant market to be initiated by a network relationships rather than a consequence of strategic reasons. Studying individual cases and observing especially foreign and domestic relationships is a step towards developing a further description of the personal relations of the international entrepreneur and how they develop into actual business. From this we find a number of things relating to that

First, we find very few strong international relationships in the entrepreneurs’ relationship portfolios, but the indications are that these are very valuable in the internationalization process, and that the entrepreneurs would want more if they could.

Second, because there are very few strong international relationships, weak international relationships are very important. None of the ties used in the emerging internationalisation stage were defined as strong. The common development of network ties of the firms was the development from a network dominated by strong domestic ties in the beginning of the business towards a network with a growing share of weak domestic ties. Even though the firms were actively seeking to expand abroad their foreign networks were in many instances weak and they did not have a strong network identity. The initial steps in internationalisation were based on weak domestic or foreign ties and partly on domestic business partners which functioned as brokers and had large relationship networks abroad.

This is quite contrary to Coviello (2006) who concluded that the INVs being studied seemed to have developed a relatively central position in a sparse network by the time they were offshore. Simonin (1997) asserts that past experience of firms in collaboration with other firms is useful in aquiring knowledge which reap greater benefits for future collaborations. This past experience is obvious in the case of the brokers as they had strong identity and respect in the larger global network. This is in line with Ellis (2000) who noted that knowledge of foreign market opportunities, in particular, is commonly acquired via existing personal networks rather than collected through systematic market search. Indeed, the entrepreneurs here who had invested great effort in developing their portfolio of international relationships do not seem to have earned a great deal from much of this effort.

Third, we have demonstrated that in the cases being studied the background of the entrepreneurs affects the character of the network of the entrepreneurial firm where the non-tech entrepreneurs tend to have larger network of weak ties and tech-entrepreneurs had stronger family ties in the initial startup of their firm and their business in general. As the initial internationalisation is mostly based on weak ties the non-tech entrepreneurs may have an advantage regarding this. We were able to show that these antecedents may influence tie formation processes.

We have also seen in our analysis, a new trend emerging which is the utilization of web networks by entrepreneurs. Non-tech entrepreneurs have larger social networking on the web than tech-entrepreneurs but there were limited signs of success regarding the usage of these new networks but it seems to be affecting the long term personal relationship network structure of international entrepreneurs. The increased involvement of entrepreneurs in social networking on the web may highlight the importance of investigating network processes of international entrepreneurs on the web. Given the somewhat coincidental nature of the initial internationalisation of the entrepreneurial firms, it is possible that firms with a large portfolio of weak ties might be able to open connections abroad, but the value of these weak international relationships remains unknown.

But brokers, all domestic, with whom strong relationships can be built more readily, who have strong network identity and are known as leaders in their industry continue to be very important and have clear value in the internationalization process. Confirming Harris and Wheeler (2005), one of the best places for entrepreneurs to find international relationship linkages is at home.

This paper has a number of limitations. First, we have looked at only technology driven firms. More extensive studies in other settings are required to test the extent to which our findings can be applied more generally. Secondly, the retrospective form of the study makes it difficult to identify cause and effects. Thirdly, the number of ties and the distinction between weak and strong ties is not always clear. Nevertheless, we believe that our exploratory study contributes to existing theory, and adds value to frameworks which have rarely been tested in an international business environment.

CONCLUSIONS

This paper has adopted a strategic perspective on entrepreneur’s relationships, seeing them as comprising a portfolio of assets that represents a potentially or actually valuable resource. Unlike much previous research into entrepreneur’s networks, we have seen it as a resource that is costly to develop and maintain, but is also subject to the active management of the entrepreneurs involved. In this respect, our research agenda reflects the recent conclusion of Ozcan and Eisenhardt (2009):

> Prior research has emphasized a deterministic view of portfolio and network evolution that is shaped by exogenously determined interdependence and a path-dependent trajectory of embedded ties. With a few exceptions (see Ahuja, 2000, Hallen, 2008; Powell et al., 1996), researchers have treated partner characteristics such as prominence as static; viewed relationships (if they are considered at all) as simply strong or weak; and ignored tie execution in favor of tie formation. We add emphasis on

> agency, strategic action, and the dynamics of portfolios and networks, addressing evolving prominence, shifting centrality, and nuances of execution such as sequential attention. This suggests a research agenda that places agency and strategic action in the spotlight. [p.246]

To do this, we adopted an entrepreneurial rather than a network perspective, and developed a research framework from the theoretical foundations of the resource based view that recognises the costs as well as the potential benefits of relationship resources within an entrepreneur's relationship portfolio. This framework has usefully highlighted two main considerations in relationship resource value with respect to entrepreneurial internationalization: relationship strength, and relationship embeddedness in international markets.

This approach has provided a useful research model and has generated some useful findings from the field that contribute to the evolving field of entrepreneurial relationship research. We find that strong international relationships are very valuable, but so difficult and costly to develop that their number is few. Entrepreneurs invest in new relationships, a costly activity, and the result is weak relationships, which, while they yield few useful outcomes, do represent a significant source of international opportunities. Contrary to expectations, non-internationally embedded relationships, located domestically, can provide a highly useful source of international opportunity. The reason is that some of these relationships act as brokers overseas, and provide a highly effective service by overcoming many of the costs for newly internationalizing entrepreneurs that they would face in developing their portfolio of relationships.

Above all, however, this paper has show that the resource-based strategic approach to the analysis of relationship portfolios can offer a great deal of understanding that can contribute to both research and to entrepreneurial practice. With regards to practice, we find that entrepreneurs themselves adopt resource based view: the international opportunities they pursue are driven by the relationship resources that they happen to fine themselves with in their portfolio, reflecting the RBV in full. The relationship resource portfolios are not crafted to a market driven strategy, but nor are they passive outcomes of external conditions. The research here needs to go much further and become more fine-grained, and if it does, we will be able to see the costs and benefits of different relationship development strategies much more clearly

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