

ENTREPRENEURIAL INTERNATIONALISATION: EFFECTUATION LOGIC AND INTERNATIONAL EXPANSION

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ABSTRACT

In this paper we develop a dynamic view on the internationalisation of entrepreneurial firms. We propose a framework of control and prediction to explain how entrepreneurial SMEs develop into multinational corporations. During this process of development we indicate several stages during which the firm changes its behaviour from entrepreneurial to managerial. With this approach we establish an actual cross-road between Entrepreneurship and International Business disciplines which have long been claimed to form the basis of a new emerging discipline of International Entrepreneurship.

1. INTRODUCTION

Entrepreneurs are said to behave differently from managers. This general assumption which gets considerable backing from different fields (e.g. Schumpeter, 1934; March, 1991; Stevenson & Gumpert, 1985; Lewin, Long & Carroll, 1999; Zahra & George, 2002) is surprisingly little considered in the emerging field of international entrepreneurship (IE). Keupp and Gassmann (2009) analysed a wide array of literature which makes reference to phenomena pertaining to international entrepreneurship and discovered that entrepreneurship contributes little in terms of theoretical input to IE and that IB on the other hand has a high level of disregard for many of the processes that make firms' international expansion possible. This is interesting because IE is positioned at the intersection of entrepreneurship and IB research and the need for a new disciplinary niche would logically stem from the limitations of the two parent disciplines in that they cannot sufficiently explain the phenomenon in isolation (Mathews & Zander, 2007). While IB offers a number of theories that explain why multinationals are able to perform better than other organisational forms and approaches (e.g. Dunning, 1988), there seems to be little theoretical input that help explain why firms that are entrepreneurial achieve success in pursue of internationalisation.

This paper has the objective to evaluate a particular strand of entrepreneurship theory (cf. Endres & Woods, 2009), effectuation theory (Sarasvathy, 2001), and use a model of effectual processes (Wiltbank, Dew, Read & Sarasvathy, 2006) as analysing framework for longitudinal case data to explain how entrepreneurial internationalisation may be different from managerial (e.g. firm-specific advantages, location-specific advantages, internalisation

rationales) behaviour as it is usually assumed in IB theories. In our discussion we like to propose a number of ideas which may provide new pathways for explaining why MNCs, or at least a share of them, might be the result of entrepreneurial effectuation rather than the outcome of rationalised managerial behaviour, which we claim is a logic which applies only under certain conditions and usually can only be rationalised ex post.

Zahra (2005: p. 24) underlines an important fact which he encourages to take up for further research: ‘[...] *we do not know what becomes of those INVs [international new ventures] that survive and become established.*’ One assumption is that entrepreneurial firms which manage successfully (bias) to quickly and extensively internationalise will become similar to other firms in their industry over time (Zettinig & Benson-Rea, 2008). We wonder if this is and why this might be. Logic might command us to believe that start-up firms usually start out small and most of them entrepreneurially. They internationalise and usually years or decades later they classify as what the field of IB calls multinational corporations. There seems to be one or more breaks in terms of how the firm at one point in time is small and entrepreneurial and at another point in time is large, powerful and multinational. While entrepreneurship research usually focuses on the firm in the earlier phase, IB looks at the later stage. Fact is that the firm is the same, even though it appears to be increasingly harder to establish what the essence of the firm is in order to qualify it as the same firm. The firm has developed and changed into something different than what it was at its outset. From a discipline of IE, at its particular disciplinary intersection, we could expect to learn how the same firm transforms from a small entrepreneurial one into a MNE.

During the last decade much emphasis in IE has been given to quantitative outcomes (compare figure 1 in Keupp & Gassmann, 2009: e.g.: degree of internationalisation; export

intensity; export performance; share of foreign sales, etc.) and too little to the transformation of the firm. In our opinion it is interesting to explain how the firm becomes international because it involves qualitative changes in behaviour. This is the focus of this paper and we hope to continue a discussion (e.g. Jones & Coviello, 2005) how entrepreneurial behaviour (Zahra, 2005) over time unfolds and result in the multinational corporations with which IB is traditionally concerned.

2. FROM EFFECTUATION LOGIC TO ENTREPRENEURIAL INTERNATIONALISATION

March (1991) describes the long-term survival of the firm being dependent on its ability to exploit given current opportunities while searching for new ones in a balanced way through processes of exploration. While current opportunities have the advantage of being known those which might occur in the future we are not able to grasp and are unable to assign risks to (cf. Knightian uncertainty). Exploitation is the domain of managers (Lewin et al., 1999). They are able to estimate how certain changes unfold and that enables them to utilise sophisticated techniques to plan and execute firms' behaviour. This involves risk adversely comparing plans and results to identify performance, induce incremental improvements with high focus on efficiency all in a fairly systematic and rationalised way. The focus of these actions is on the predictable. The entrepreneur on the other hand has been characterised as an actor who explores new opportunities. This involves experimentation with ideas, new technologies and business models. Sarasvathy (2001) distinguishes these two approaches to

business based on their process logic. Managerial logic is based on causation processes, formulating objectives and deploying the means to attain these ends. Entrepreneurs on the other hand follow *effectuation logic* (Sarasvathy, 2001: 251) which disregards the emphasis on the predictable elements but stresses elements which can be controlled (Sarasvathy, Dew, Read & Wiltbank, 2008). These are the fundamental premises distinguishing the entrepreneurial and the managerial mindsets. These fundamentals influence how these types of actors think and act and how they perceive themselves and their firms in relation the environments they are part of.

In our view effectuation is a very useful approach for IE because it addresses how the early stage firm (INV) acts, in absence of relevant knowledge about a variety of things and presence of uncertainty about international markets and their developments. In addition it may contribute to explain how the later stage firm (e.g. MNE) is a result of qualitative changes through dynamic processes over time. To explore this we investigate Wiltbank et al. (2006) who put forward a framework of prediction and control which depicts useful mindset differences of actors at different stages, so we argue later, (figure 1) and serves us to subsequently investigate longitudinal case data of a firm which transformed from an entrepreneurial start up into a complex international company managed by professional managers.

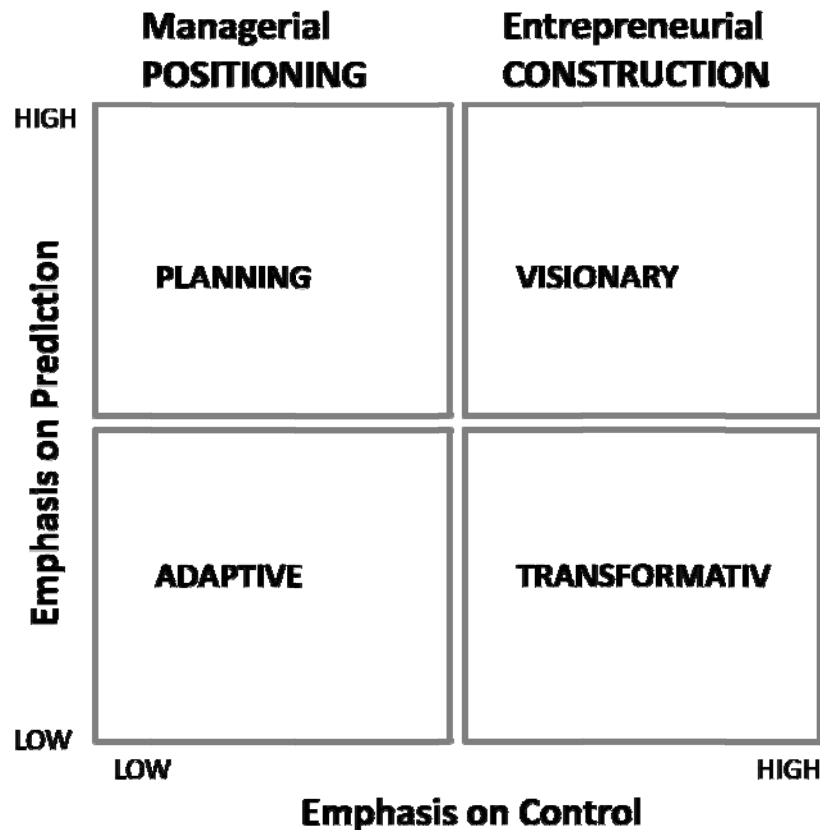


Figure 1. Framework of Prediction and Control (adapted from Wiltbank et al., 2006)

The framework of prediction and control (figure 1) distinguishes the way different actors compute their environment. It conceptualises fundamental differences in the way the nature of the environment is viewed and processed. The managerial type has a low emphasis on controlling those elements which can be controlled despite uncertainty. The results are approaches of stringent planning efforts when the predictability of the firms' environment allows and an emphasis on adaptation when changes in the environment decrease predictability. While the planning approach has been benefiting from works such as competitive analysis (Porter, 1980), the adaptation approach has been conceptualised by works in the area of emerging strategy (Mintzberg, 1994) or by the emerging resource-based

paradigm of dynamic capabilities (Teece, Pisano and Shuen, 1997), to name some examples (a wider discussion can be found in Wiltbank et al., 2006).

The right column of the typology framework are entrepreneurial approaches which contrast greatly in that they are driven by a philosophy that the environment can be actively constructed and is not a given set of factors the firm needs to adapt to. A visionary approach has the assumption that the actor gets a glimpse of what is to come and therefore acquires and allocates resources toward attaining envisioned opportunities (e.g. Hamel & Prahalad, 1991). The fourth type shares with the visionary approach in that it emphasises factors which are under control but in absence of a strong believe that future opportunities are readily available and can therefore be defined and attained. Instead this approach has low emphasis on future prediction but, behaving in a setting of Knightian uncertainty, it is mostly concerned with controlling controllable elements in a transformative approach.

The transformative approach has the premise that the entrepreneur understands which means are available and can be influenced and to actively seek possible ends based on these controllable elements. The key difference of this approach to the managerial approaches on the left side of the framework is the assumption by the entrepreneur that environments can actively be constructed because they are not pre-determined. This approach is convincingly explained and discussed by Sarasvathy and Dew (2005) where they conceptualise entrepreneurial market creation (figure 2). The entrepreneur starts out with an understanding of who she is; what she knows; and whom she knows. With this basic understanding of means she develops goals concerning what is possible. From that first, arguably rather vague goal setting, she starts to utilise her networks of people. She starts to interact with them, showing her *initial* ideas and vague objectives, convincing some of them to join and

commit to the business in various ways. Through these interactions and commitments two effects occur: First, the new stakeholders through their commitment provide new means and expand the resource-base of the venture; and secondly, through stakeholder interactions the entrepreneur converges in a cycle of constraints on new goals. While this transformative approach is clear on controlling its means it is loose on setting goals which influences the way the firm's environment is gradually constructed in a dynamic process of interactions by stakeholders of the firm.

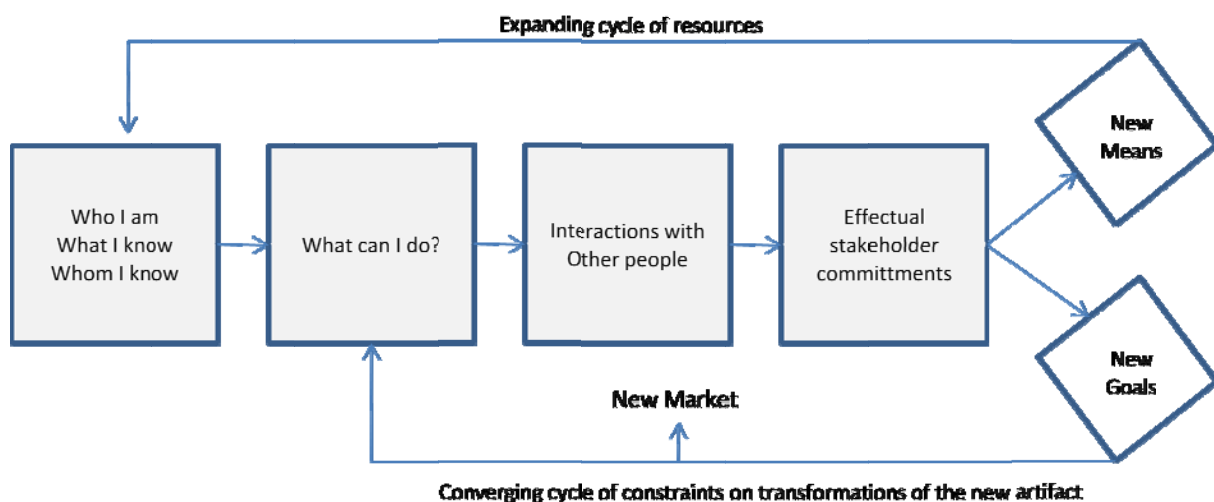


Figure 2. Dynamic mode of the effectual process (adapted from Sarasvathy & Dew, 2005)

In the international expansion of the entrepreneurial firm we can assume and observe the existence of a transformative approach. The entrepreneur might have some general resources, maybe a product or service idea, some basic understanding of market dynamics and some ideas how a market offering might be sold. She then ventures out and utilises contacts (networks) which might be made purposefully or are of social nature (cf. Coviello,

2006) and starts to commit certain partners with the effect that new environments are created (Sarasvathy et al., 2008) and new objectives within this emerging environment are defined. This process in the end might lead in many cases to the phenomenon of international new ventures as originally defined by Oviatt and McDougall (1994).

In the next section we use the prediction and control framework (figure 1) and the transformative effectuation process model (figure 2) and use them to analyse the case of a hugely successful serial entrepreneur who over 40 years has created several firms which relatively quickly internationalised and which grew to considerable international scope and size, in some product segments having global market shares of up to 90%. What is more interesting for this study is to reconstruct processes of organisational change which occurred through the internationalisation of one of his typical ventures and to date most successful ventures. For this purpose we use both retrospective and real-time longitudinal observation and multiple respondent interview data which we triangulate with secondary data provided by the case firm and by third parties. It shows how a company starts out with little, internationalises on global scale in relatively short time and how it emerges to be what generally could be regarded a multinational corporation.

3. CASE DESCRIPTION

Our unit of analysis is a long-standing entrepreneur, Göran Sundholm, who received in 2002 the Finnish Engineering Award for pioneering work as inventor and in the same year the Finnish National Board of Patents and Registration Award. No other person in Finland

has to date more patents, well over 1000 including patent pending applications, to his credit. Göran, with a technical education background, filed his first patent at the age of 17 and a few years later, in 1973, started his first company which focused on high pressure hydraulics services and systems for the international maritime industry. The technologies developed in the maritime field soon had been transferred via newly founded firms to other industries. This *modus operandi* has from the early beginnings been a characteristic of Göran's approach to business. Another characteristic of this entrepreneurs' way of doing things make opportunities or to look at trends that might produce them. He does not consider boundaries such as definitions of specific markets, industries or niches and has a healthy disregard for competition or rules of industry. By 1985 his first company, GS-Hydro, a company with then 60 Million Finnish Marks turnover (equivalent of approximately €18,2 Mio at 2010 index-level), had been sold to Kone Corporation.

In 1987 the United National Montreal Protocol banned Halon chemicals, used in automated fire extinguishers, as hazardous for the ozone layer; and in 1990 the devastating fire on the cruise ship *Scandinavian Star*, caused death for 158 people and triggered the UN International Maritime Organisation to decree that by 2005 all new and existing passenger vessels must be fitted with automatic sprinkler systems.

These regulatory changes in the business environment and one of Göran's long-standing customer's direct request in January 1991 '*to do something*' to solve the problem of conventional automatic sprinkler systems set in motion a series of events leading to establishing a new venture under the umbrella of his firm called Marioff. Conventional sprinklers are no option for ships because their deployment would compromise a vessel's stability and may result in sinking it. The request by the ship owner demanding a solution

was instantly sealed with an unconventional approach. Göran agreed with the customer on a price for what he thought such a new sprinkler system would probably cost and sold it. The customer made a 40% down-payment to finance the development of a system that was commissioned as ‘equivalent but lighter’ within eighteen months. In effect Göran had made his first sale for his venture for a product (Hi-Fog) and category that did not exist and for a market that was not existent (quote: *‘If you haven’t sold it, there’s nothing to develop. First you need to sell, and then develop. Isn’t that how it usually goes?’*). The opportunity though was very clear in Göran’s mind: there were capabilities in terms of hydraulic knowledge and piping; there was a healthy lack of knowledge of existing automated sprinkler systems (quote: *‘I once experienced a forest fire when I was about ten years old. That was [all] my experience [with fire extinguishing]’*); and there was a natural need for this sort of products which was not available. In addition there was good access to ship builders, ship owners and operators around the world which he had developed during his previous ventures.

Göran did not pay too much attention what competitors were up to, no formal market research activity had been conducted (quote Göran: *‘The only thing we ask is: ‘Where is the order? We don’t waste time on market research’*) and there were rather informal exchanges of ideas and presentations to potential customers and to other potential stakeholders, e.g. insurances and authorities. During the rapid product development the company carried out at premises of the Finnish Technical Research Centre (VTT) and the Swedish National Testing and Research Institute (SP) the atmosphere was very open (quote R&D manager: *‘There it felt like every passer-by was invited to see the tests’*; quote Göran: *‘Yes: here’s the fire. Let’s see how the system functions’*). The mindset had been one that there is a customer’s order and now they got to deliver. Göran invested the down-payment of the first

client, together with calculated seven million Euros of his own money over time (stemming from the sale of his previous company in 1985) and a great deal of confidence to deliver a solution (quote: *'We didn't have a clue what we were promising, and luckily so. I don't think we would've promised anything otherwise'*).

Three months later in April 1991 the product was introduced at the Cruise and Ferry exhibition in London and by 1995 the company had established the global maritime sprinkler business. During these first years Göran used his personal contacts to *'most'* (quote) of the world's major shipping companies to introduce the product and its advantages, heavily supported by reference to the first industry sale. After capturing most of the maritime automated fire extinguishing system market globally (by 2005 approximately 90% global market share in new vessels) the firm started to extend its focus to on-shore business, where they met considerable opposition from established competitors. Rivals used all kinds of protective measures (e.g. lobbying) to assure that the new sprinkler system would not get accepted by major stakeholders (e.g. insurance companies, authorities) and that heterogeneous national regulations would be slow to acknowledge the superior water-mist-based systems of Marioff. The firm finally succeeded to make major sales in key markets by 2000 and since steadily extended its market share, leading to partial sale of the company in 2001 (to raise €50 million in capital) for further expansion and for Göran Sundholm to finally sell his remaining personal ownership of the company in 2007.

Organisationally Marioff employed 14 persons at the beginning of Hi-Fog's development in 1991. The business had no formal strategy and according to the R&D Manager *'no organisation'*. The emphasis was on getting things done rather than formalised. Decisions were done quickly if not instantly and in an autocratic fashion by the entrepreneur (quote:

'It was quite easy, I decided everything.'). The company tended to make sales often without formal contracts but heavily utilising his access to main players in the maritime business all over the world. Very often international sales have been agreed, installations started and down payments made within a week's time. By 2002 the turnover reached €64 million and the workforce 307 with about a third of them located around the world (foreign subsidiaries: Norway, 1995; Sweden, 1997; Denmark and USA, 1998; UK, 1999; Spain, 2000; Italy and France, 2001; Singapore, Germany and Canada, 2002, etc.). Around the year 2001 the business has grown to a considerable size and has diversified its offerings into many sub-markets of the overall sprinkler market (from offshore to onshore applications like storage rooms, tunnels, churches, hotels, etc). To fuel this rapid expansion into new markets and to acquire management experience 50% of the company was sold to a private equity firm for €50 million. From this point on the company changed with an outside manager being appointed CEO and with formal structures and processes introduced in the firm (quote R&D manager: *'Well, I'd say it was around the year 2000 when things started to get more ordinary. It started to become an ordinary, boring company. It seems with growth comes bureaucracy'*). Göran Sundholm sold his remaining share of the company in 2007 for €132 million.

In terms of objectives the firm at the beginning of the development in 1991 did not spend too much effort to formalise a clear picture of the opportunity. It was clear that the problem they were trying to solve was a serious one for the passenger shipping business. It was also clear that the nature of the shipping industry was international and that the scope of such business would have global potential, but besides this simple understanding where the business potential might be the initial focus was heavily geared toward fulfilling the first

order at all cost. The approach to roll out the business was simple: make sales and deliver. Decision making was quick and usually sales were done without contracts, installation and delivery of systems were covered by down payments.

In terms of rapid product development the cooperation with SP and VTT was vital because it added expertise in different aspects of the development and it created new ways of looking at things. The business development was heavily influenced by strong interactions with different stakeholders especially potential customers, first off- then on-shore, which was achieved by a very open approach visiting all of the main international players and presenting the product at fairs and conventions. Entering onshore markets though was a different story. Since there the company did not create a new market it needed to adhere to the rules of the game in the industry, which created considerable barriers through substantial lobbying against the new technology. This required the company to substantially change its approach in order to grow further and led subsequently to the need for professional managers to adapt the firm to this new situation. Since 2007 the company is a subsidiary of UTC, the 37th largest US Corporation (Forbes 2009 List).

4. CASE ANALYSIS

The case illustrates overall how a small entrepreneurial firm transforms gradually over time into a multinational company. At the beginning some changes in the institutional environment of the global shipping industry set the stage for an emerging need by shipping companies to find a solution to a serious problem. Subsequently we use Wiltbank et al. (2006) prediction and control framework (figure 1) to analyse how the firm's approach to

business changes throughout its internationalisation and organisational development. We distinguish the longitudinal development in four stages which have important implications for the entrepreneurial firm to emerge as a global player in the maritime fire protection market and beyond.

The Visionary Stage

At the very beginning in 1991 the entrepreneur did not have any plans or visions to engage in maritime fire protection. An initial *vague* vision was brought to the entrepreneur's awareness in form of an expressed need for a solution by a ship owner who had two new vessels under construction. It was easy to envision that certain changes in the regulatory environment will bring considerable opportunities in the long-run (the International Maritime Organisation, a UN unit, decreed that by 2005 all new and existing passenger vessels must be fitted with automatic sprinkler systems). Then current technologies were unfit to satisfy these demands (1987 the United National Montreal Protocol banned Halon chemicals which were used in fire safety; traditional water sprinkler systems were unfit to satisfy the needs for the shipping industry). This provided some sort of visionary certainty initially that there will be a market even though this market might be so far in the future that it cannot be justified in terms of conventional business logic. The unconventional acceptance of a down payment for a new revolutionary system (many tried before but failed to solve inherent problems with high-pressure mist sprinkler systems) and delivery within 18 months quickly diverted the attention away from envisioning future market opportunities further and set the focus on delivering what had been sold. While there has been the vision that this is a big market, it was not considered to be important at that stage to quantify what

the implications for product or business development may be or to develop an expressed strategy to attain this result.

The Transformative Stage

This phase provides a key in understanding how internationalisation and organisational development evolved. The entrepreneur at the beginning of the venture in 1991 focused heavily on fulfilment of the first sale which came clear ahead of any idea how to solve a tricky problem and it triggered processes of effectuation (see: figure 2). Göran through his previous experiences with businesses developed the self-confidence to sell systems in areas he considers his expertise without actually having the solution. This is critical because it emphasises the mindset and understanding of who the entrepreneur is and much of that makes happen was comes after (Figure 2: Means - who I am). In addition he had more than 20 years of experience with fitting hydraulic systems onto ships which provides the means in terms of some essential knowledge needed for a solution (Figure 2: Means - what I know). The third category of means encompasses the established network of contacts and relationships to many different stakeholders, most importantly ship builders, owners and operators plus other stakeholders used to support the development of the technology. With this understanding and a first sale which was crucial to focus the attention on a tangible research and development goal (Figure 2: Means -what can I do?), which at that point did not have any clear shape. The entrepreneur started to collect stakeholders needed to find a solution (engineers he hired, testing institutes where he conducted tests, customers interested in the development) and got certain commitments to which also the initial sale could be counted since it provided some sort of legitimacy and trust that this is a serious

effort. With more stakeholders committing new means were brought into the ventures' extended resource-base. With their interactions the venture also developed new ideas where this business could go to from there in terms of setting up subsidiaries around the world and in terms of diversifying beyond the shipping industry. This stage lasted approximately from 1991 to 2000 until the entrepreneur decided that a harder push is needed to enter existing fire protection markets on-shore. While during this stage the main focus was the vast global shipping industry many other markets were identified and the firm started to market their products against the strong competitive reactions by existing market players. What is interesting in this phase is that the shipping industry market for sprinkler systems did not exist prior to Marioff creating it. The desire to grow diversified the business to consider other markets which existed but were seen necessary in order to grow the company. The want to grow the company was then reinforced and became a need when Göran decided to bring in new capital via a private equity partner. This partner led to critical changes in Marioff. It demanded to bring in professional managers who can prepare the organisation to systematically approach existing markets, leading to the next stage.

The Adaptation Stage

While the previous stage was emphasising on the elements the firm can control and thus shape their own business environment this stage can be characterised by a relative loss (in terms of the desire to enter markets with relatively much bigger opportunities onshore) of control over means. At the same time the firm which established the rules of the game in offshore sprinkler systems did not fully grasp the mechanisms existing markets have employed and therefore managers were brought in who started to adapt the firm to this new

environment. They started to evaluate how existing processes and capabilities can be fit into these substantially different industry structures on markets around the world. This stage is characterised by a relative loss of emphasis on control over means and also a relative loss of emphasis on predictability due to many unknowns (e.g. how important stakeholders like insurance companies can be won over while existing market players heavily lobby against the new technology). In organisational terms the stage change from transformative to adaptive has also influenced the organisational culture and the way the firm has been doing things. Emphasis was given to managerial processes, analysis and systematic approaches to conquer new industries and markets. Many of the core managers of the firm who joined early on had a feeling of losing interest and of increasingly working in a '*normal and boring*' company. This might have subsequently led to the change into the fourth stage.

The Planning Stage

With private equity partners acquiring half of the ownership and with managers entering the firm, including taking the post of CEO, the entrepreneur who was still the president of the board, increasingly lost his way of doing things and with this loss of control over critical elements of the business lost also his interest. Subsequently the conclusion was to sell the firm to a giant MNC with strong businesses in the fire protection industry globally. This decision led to integrate Marioff into the business of an established competitor in an industry which overall can be characterised as fairly stable and thus rather predictable (for established insiders).

As this case has shown the case company from its very beginning has changed its way of doing things several times before becoming part of a MNC. What is interesting is the way the firm shifts its approach from being entrepreneurial to become a managerial company. In the first two phases it was critical to control certain means and expand them through partnering with important stakeholders and to stay open to develop the organisational goals over time. The shift to a managerial orientation can be interpreted as loss of control over the environment. Because the market for shipping fire protection systems was created by the firm it had widespread control over it. Expanding the firm to existing markets meant to relatively lose that control and parallel to that also have little insight in the mechanics of existing industries which did not provide the firm with prediction abilities. The answer was to apply managerial logic and to adapt the firm to its environment, for which the conclusion was a company sale in the industry to provide for lacking insight.

5. DISCUSSION AND CONCLUSION

The case describes one and a half decades of development of an entrepreneurial firm which managed within a few years to expand its business worldwide. Our analysis was using effectuation as an entrepreneurship theory (Sarasvathy, 2001) and a prediction - control framework (Wiltbank et al., 2006) to show how a firm is able to create its own global market niche (cf. Sarasvathy & Dew, 2005). We applied this framework and theory in a dynamic way, emphasising on events and unfolding changes that happen over time (cf. Van de Ven & Engleman, 2004) rather than fitting the case into a certain quadrant of Wiltbank et

al. (2006) framework. As a result we gained a number of insights which might be further discussed.

First, overall effectuation (Sarasvathy, 2001) is a theory which might serve IE to substantially advance its further development as a discipline. It is a useful entrepreneurship theory which convincingly explains how entrepreneurs function differently from managers and therefore provides a basis to further develop gap filling knowledge about how MNCs emerge from small entrepreneurial firms. In combination with that the larger framework of emphasis and control (Wiltbank et al., 2006) is useful. In that framework effectuation is positioned as transformative approach which entrepreneurs apply. As such it helps us understand the mindset and subsequent actions of entrepreneurs and the development of their firms as it explains why and when firms change behaviour in their development. As our case analysis has shown there is substantial explanatory power in investigating how behaviour is changing with varying degrees of belief in predictability and control. We recommend for developing knowledge of dynamic processes of the internationalising entrepreneurial firm that this framework is used as a map of possible developments rather than an ordering framework for firms. We have seen with the Marioff case that a firm may go through all stages, and we have been able to explain how a development from visionary to transformative to adaptive to planning occurs in relation to the shifts from an entrepreneurial to a managerial firm (cf. March, 1991).

Secondly, the dynamic use of the control and prediction framework, supported by effectuation theory provides IE with the means to combine knowledge how entrepreneurs function with knowledge about the MNC. It may provide explanations why young firms have been found to have certain advantages in their early internationalisation (cf. Autio, et

al., 2001) compared to older (more managerial) firms. It also gives us a framework to explore new ways of investigating what happens at the 'phase change' when the firm switches from entrepreneurial to managerial behaviour and opens up new ways of looking at qualitative changes within the firm. This might add to our understanding of the process of internationalisation as for instance prominently described by Johanson and Vahlne (1977). Entrepreneurs tend to process reality in a different way than managers do (cf. Dew, Read, Sarasvathy & Wiltbank, 2008, p.46), which should influence the way the firm processes its knowledge and makes decisions concerning market entry.

Thirdly, arriving at IB, this approach to look at a qualitative change in the firm from its entrepreneurial beginnings to its development into a MNC might give us insights in the making of MNCs. Currently major theories of foreign investments (e.g. Dunning's Eclectic Paradigm) tend to accept the fact that MNC's success can be explained by a number of factors, like firm-specific advantages, location-specific advantages and internalisation advantages. It nevertheless does not help us understand how these types of firms came to enjoy these advantages in the first place. In that respect IB would not only be part of the cross-road for IE but IE could contribute to answer some fundamental questions in IB.

Fourth, most influential theories developed for MNCs and even INVs (e.g. Oviatt & McDougall, 1994) are ex post rationalisations of successful outcomes. We suggest investigating the development of entrepreneurial firms which might grow into MNCs applying a process theoretical lens and by using event-driven methods (e.g. Aldrich, 2001; Van de Ven & Engleman, 2004). This approach will help us to learn more from failures, for instance when entrepreneurial firms fail to recognise their limitations with constructing their environments, or under which conditions such limitations might be encountered.

In addition it is important to analyse what the boundary conditions are under which such a new theoretical trajectory using effectuation logic applies. We suggest that firms should be investigated in terms of their mindset at the onset of their internationalisation. How do they see their future? Do they emphasise on understanding international environments and prediction of what their environments might become? Or do they focus on elements which they can actively control. This is all in all a very interesting question, which has already in other fields than IB created paradigm wars (cf. McKelvey, 1997), debating whether the firm needs to respond to naturally occurring phenomena outside its own direct influence or the firm can make decisions which influence its further development. As our approach to explain entrepreneurial internationalisation has shown it may be that both paradigms are valid at different stages of a firm's development and to different degrees. What is important is to investigate the actions of internationalising firms over the course of their development with one critical phase being the phase change from entrepreneurial to managerial.

Further research should be directed to emphasise on the behaviour of internationalising firms and toward the mindset they have at various developmental stages. For entrepreneurial firms which become managerial MNCs it might give substantial insights into how to benefit from different operating logic of entrepreneurs and managers and to accept clearly what constitutes the boundaries of either approach in order to optimise the international development of such firms. In addition this might lead us to a new way of making sense of a new discipline which integrates vast knowledge in IB with new theoretical insights in entrepreneurship and in return provides answers for some of the larger remaining questions in both parent disciplines.

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