

Igor Laine

INSTITUTION-BASED VIEW OF ENTREPRENEURIAL INTERNATIONALIZATION

Thesis for the degree of Doctor of Science (Economics and Business Administration) to be presented with due permission for public examination and criticism in the Auditorium of the Student Union House at Lappeenranta University of Technology, Lappeenranta, Finland on the 23rd of November, 2016, at noon.

Acta Universitatis
Lappeenrantaensis 723

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ISBN 978-952-335-016-8
ISBN 978-952-335-017-5 (PDF)
ISSN-L 1456-4491
ISSN 1456-4491

Lappeenrannan teknillinen yliopisto
Yliopistopaino 2016

Abstract

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Institution-based view of entrepreneurial internationalization

Lappeenranta 2016

68 pages

Acta Universitatis Lappeenrantaensis 723

Diss. Lappeenranta University of Technology

ISBN 978-952-335-016-8, ISBN 978-952-335-017-5 (PDF), ISSN-L 1456-4491, ISSN 1456-4491

This doctoral study focuses on the relationship between institutional environment and international entrepreneurship. Although researchers have widely emphasized and accepted the view that firms' strategic behavior, including internationalization-based growth strategic choices, is increasingly affected by the institutional environments in which they operate, the recent calls for more research on the role of institutions in international entrepreneurship have not been adequately covered. By answering the question of what role the institutional environment plays in international entrepreneurship, this doctoral dissertation also address the problem of why national policies directed toward building institutional environments that are more conducive to entrepreneurship and its internationalization can be not as efficient as expected. Four publications included in this dissertation employed both quantitative and qualitative methods. First, the study suggests several mediating and moderating factors to the path between institutional environment and internationalization, thus extending our knowledge about the focal phenomena. Secondly, the dissertation advocates a more nuanced approach to institutional environment, where factors from each of the three institutional dimensions may intertwine with factors from other dimensions, resulting in an idiosyncratic impact on a dependent variable. Thirdly, by studying the impact of domestic institutional environments on entrepreneurship and its internationalization in Russia, the study suggests that the country's costly efforts in its regulative system are mitigated by resistant normative and cultural-cognitive institutions. Finally, in addition to the impact of particular institutional factors, the study identified and investigated the separate influence of institutional uncertainty, which happens to drive more effectual decision-making regarding international operations of entrepreneurial firms.

Keywords: international entrepreneurship, internationalization, institutional environment, Russia

Acknowledgements

Although I started my doctoral studies in the Graduate School of Management, Saint-Petersburg University, Russia (GSOM) back in 2011, the work on this doctoral dissertation was carried out and completed at LUT School of Business and Management, Lappeenranta University of Technology, Finland (LSBM), between 2014 and 2016.

Many individuals made this work happen, including my former adviser Galina Shirokova from GSOM, who introduced me to the fascinating world of international research and the community of international entrepreneurship researchers. During my studies at GSOM I had the opportunity to go to my first international conference, the 12th McGill International Entrepreneurship (IE) Conference in Pavia, Italy, in 2012. I am thankful to the faculty and administration of GSOM, and especially to Galina, without whom the start of my academic career and eventually (albeit I believe it is only the starting point) this doctoral dissertation might never have happened. Moreover, I am grateful to GSOM for giving me the chance to study as an exchange student at Aalto University, School of Business, where I spent more than 8 productive months doing course work and writing my first empirical paper, co-authored with Irina Mihailova. On the way toward the publication with several disappointing rejections and major revisions, I have learnt a lot about the process of academic publishing and understood that with every revision our manuscripts become better and better. During my exchange studies in Aalto I was inspired by the atmosphere of international research they fostered, with numerous research seminars and guest lectures as well as weekly informal meetings led by Asta Salmi, the head of our department. Working door to door with other colleagues of ours – Rebecca Piekkari and Elizabeth Rose, who have both strongly influenced my comprehension of qualitative and quantitative methods, respectively – could not be underestimated.

The conference mentioned above was a turning point in and a cornerstone for my further development as a researcher. There, I got to know the community of IE scholars, contributions of whom I have been reading from the beginning and to whom I am referring in my current work. A sense of belonging to this community was increasing and it gave me an understanding what my own work is contributing to. The ie-schoolars.net portal, led by Nicole Coviello, made it so much easier to stay in touch and follow the front-end of research in the field. From this first McGill IE conference, I was amazed how close the community is, connecting scholars from around the world. An acquaintance on one of these McGill IE Conferences led to a productive and exiting collaboration with Tamara Galkina resulting in co-authored article. I wish to express my sincere thanks to Tamara, since I have learned a lot from her and enjoyed the research process.

At this conference, my yet to become supervisor Olli Kuivalainen, and the current Dean of LSBM, Sami Saarenketo, were in charge of doctoral colloquium. They allowed me to participate in this inspiring event as well, although I was only registered for the main conference. That time, I couldn't even imagine that later on, in 2014, my personal life would change so dramatically, relocating me to Lappeenranta in order to move in with my wife Elena. Thus, I really appreciate how this change in my personal life and LSBM accepting me to continue my doctoral studies have made this work possible. Further

participation to conferences and research seminars that LSBM made possible allowed me to get to know a number of top scholars, with whom I have been able to discuss my own research and other research-related topics. This list includes the most prominent scholars in the IE and IB fields, including Patricia McDougall, Gary Knight, Nicole Coviello, Marian Jones and Jan-Eric Vahlne, Peter Buckley, Jean-Francois Hennart, and Ulf Anderson. The acquaintance, with contributions of, personal discussions with, and attendance of plenary speeches, of two other persons belonging to the list, Svante Andersson and Svetla Marinova, have put special footprints on my own research approaches, and for these reasons they have been suggested to be referees of my doctoral dissertation.

A special gratitude goes to LSBM, where I have had the chance to work with researchers whose contribution to international entrepreneurship research has been recently recognized as the most prolific in the world (Servantie et al., 2016). I am thankful to both of my supervisors, Olli Kuivalainen and Sanna-Katriina Asikainen, for their open-minded approach to research ideas I had and for the devotion of time and precious advice they have been providing. Your inspiration and constructive feedback have significantly improved the quality of my research.

I also want to thank other colleagues of ours, including Sami Saarenketo, Lasse Torkkeli, Hanna Salojärvi, Paavo Riitala, Kirsimarja Blomqvist, Leonid Chechurin, and Anne Jalkala, to name a few, relations and discussions with whom always have been insightful, encouraging, and thought-provoking. Additionally, I want to mention other PhD students and junior researchers, with whom I have been able to share our own research-related experiences as well as increasingly interesting social life.

Apart from my colleagues, I am deeply indebted to my family; my wife Elena, my son Daniel, my brother Maxim, and my parents Olga and Alexei, for their understanding of my commitment as well as for the intellectual and emotional support they have been providing. Special thanks go to my father and brother, with whom I had many interesting and valuable business-related discussions on the topic of my dissertation. My wife, my son, and my mother played a no lesser role in driving my inspiration and motivation as well as keeping my life full. Without you this endeavor would not mean very much.

Igor Laine
June 2016
Lappeenranta, Finland

To my family in Finland and Russia

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Abstract

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	Publications	

List of publications

This thesis is based on the following Publications. The rights have been granted by publishers to include the Publications in dissertation.

- I. Mihailova, I., Shirokova, G., and Laine, I. (2015). New Venture Internationalization from an Emergent Market: Unexpected Findings from Russia. *Journal of East-West Business*, 21(4), pp. 257-291.
- II. Laine, I., Kuivalainen, O. (2016). An Institutional Approach to Entrepreneurial Internationalization: Qualitative Meta-Synthesis. *Proceedings of the Academy of International Business – UK & Ireland Conference*, 7-9 April 2016, London, UK.
- III. Laine, I., Galkina, T. (2016). The Interplay of Effectuation and Causation in Decision Making: Russian SMEs under Institutional Uncertainty. *Proceedings of the Academy of International Business*, June 27-30 2016, New Orleans, LA, USA
- IV. Laine, I., Kuivalainen, O. (2016). Internationalisation of new Russian ventures: the institutional frontier. In K. Ibeh, P.E. Tolentino, O.E.M. Janne, and X. Liu (Eds.) *Growth Frontiers in International Business* (forthcoming), London: Palgrave Macmillan

Author's contribution

I am the principal author and investigator in Publications II and IV. In Publication I, Irina Mihailova was the corresponding author and I was involved in development at all stages of the study. I collected a substantial part of the data, performed analysis, was responsible for the methodology section, and contributed to the discussion and conclusion of the study. Publication III was initiated by me; after I came up with idea and conducted preliminary interview with one of the case study firms, I decided to share my ideas with and invite to my project Tamara Galkina, who is an expert in effectuation theory and also brought up the second case firm.

List of abbreviations

BG	born globals
BRIC	Brazil, Russia, India and China
CEO	chief executive officer
CIP	country institutional profile
CIPE	country institutional profile for entrepreneurship
EE	emerging economies
EM	emerging markets
FDI	foreign direct investments
GCI	Global Competitiveness Index
GEDI	Global Entrepreneurship and Development Index
GEM	Global Entrepreneurship Monitor
IB	international business
IE	international entrepreneurship
IEF	Index of Economic Freedom
INV	international new venture
MNE	multinational enterprise
MNC	multinational corporation
NIT	neo-institutional theory
OECD	Organisation for Economic Co-operation and Development
R&D	research and development
QMS	qualitative meta-synthesis
SME	small and medium enterprise
WGI	World Governance Indicators

1 Introduction

The Entrepreneur is the single most important player in a modern economy

Edward Lazear, American economist

Don't tell us all the reasons this might not work. Tell us all the ways it could work.

John Wood, Entrepreneur

1.1 Background

Although entrepreneurship and small and medium enterprises (SMEs) are universally considered as major drivers of economic development and sources of employment (Audretsch, Keilbach, & Lehmann, 2006; Baumol & Strom, 2007; Reynolds, Storey, & Westhead, 1994), especially for emerging economies (Bruton, Ahlstrom, & Obloj, 2008), their role in international economy in terms of output is much lower compared both to figures of large enterprises and to their role at national and local levels (Cernat, Norman-López, & T-Figueras, 2014). Understanding the untapped potential has made internationalization of SMEs a strategic priority for economic development in many countries (European Commission, 2015; European Parliament, 2016; OECD, 2013). While a majority of governments are trying to implement specific regulative measures and policies in order to facilitate local and international entrepreneurship, there is a great variation not only in corresponding static per capita figures, but also in the effectiveness of undertaken measures (Andrews, 2013; McMullen, Bagby, & Palich, 2008; Valdez & Richardson, 2013). For the purposes of the development of international entrepreneurship, governments can provide all sorts of support, encouraging firms to take the first steps toward internationalization (Freixanet, 2012; Wright, Westhead, & Ucbasaran, 2007). Evidence suggests that often the content of encouraged institutional reforms reflects generic models of commonly accepted development strategies encouraged by multilateral and bilateral development organizations such as World Bank or International Monetary Fund (Andrews, 2012, 2013). While the formal discourse of these organizations postulates that the “right rules” are tailor-made for specific contexts, the content of suggested and implemented reforms usually follows the same generic model or dominant design (Andrews, 2012). However, due to the presence of significant differences between firms from countries with different levels of economic development and their surrounding contexts, blind copying of public support measures used to encourage entrepreneurial internationalization in advanced economies may not be effective with regard to firms from and within emerging markets.

In addition to national and subnational studies and reports, a number of various rankings based on different statistical indicators and related discourse provide guidelines and recommendations for the development of national institutional environments to boost entrepreneurship and competition in global economy (e.g. Ease of Doing Business, Index of Economic Freedom, World Governance Indicators, Global Competitiveness Index).

For example, one of the key initiatives of Russian president Vladimir Putin was to lift the country up from 112th position in the Ease of Doing Business ranking in 2013 to the 20th position by 2018. According to this ranking system, in the current moment, Russia has achieved great success in the development of regulatory environments relevant for entrepreneurship, and is now in the 51st position (World Bank, 2016). Other rankings also highlight significant improvements in the regulatory business environment in Russia (Schwab, 2015). Another illustrative example deserving further explanation is how the good score Russia has on fiscal freedom according to 2016 Index of Economic Freedom (Miller & Kim, 2016) is inconsistent with the fact that firms in the country report tax burden as their biggest obstacle (Schwab, 2015; World Bank, 2012). Although Russia is present in the global economy, its international business mainly accounts to large state-owned multinational corporations (MNCs), while the private and small business sector is largely underrepresented. In particular, according to the results of Global Entrepreneurship Monitor (Singer, Amorós, & Moska, 2015), OECD report on entrepreneurship in Russia (OECD, 2015) and Global Entrepreneurship Index (Acs, Szerb, & Autio, 2016), rates of entrepreneurship, and especially international entrepreneurship, in Russia are far below comparator countries' averages.

While a growing evidence from various program evaluations suggests that institutional reforms in developing countries often fail to deliver expected results (Asian Development Bank, 2011; Stone, 2008; World Bank, 2011), the reasons for these failures are seldom explored (Andrews, 2013). Hence, this general gap creates a great opportunity for researchers from different fields to enhance understanding on why institutional reforms do not necessarily lead to better functioning policies. Thus, the current study was motivated to find out what the role of the institutional environment in international entrepreneurship plays in Russia, and why significant progress in the development of the regulatory environment for entrepreneurship does not result in the corresponding growth of entrepreneurship and its internationalization. In order to understand the underlying mechanisms of how particular institutional factors influence (international) entrepreneurship in practice, one should shift attention to micro level analysis (Scott, 2014) and hence study the perceptions, decision-making, and behavior of entrepreneurs relative to this factor. This dissertation is an attempt to dig more deeply into micro-level explanations (Berglund, 2015) of how institutional factors may influence entrepreneurial internationalization and, consequently, national levels of international entrepreneurship. Better understanding of what is important for entrepreneurs to create, expand, and internationalize their ventures in a particular context can be useful for development of more efficient policies regarding institutional environment as it relates to entrepreneurship and its internationalization.

1.2 Research objectives

The main objective of this doctoral thesis is *to study the role of institutional environment in international entrepreneurship*. In this dissertation *international entrepreneurship* is defined as “the discovery, enactment, evaluation, and exploitation of opportunities –

across national borders – to create future goods and services” (Oviatt & McDougall, 2005, p. 538) and hence it is comprised of entrepreneurial behavior exhibited by various types of firms in foreign countries, regardless of what kind of international activities they perform there (Servantie et al., 2016). For instance it could be sales, sourcing, partnerships, international subcontracting, or international technical co-operation – but all these activities embrace entrepreneurial internationalization, i.e. “entrepreneurship that crosses national borders” (Jones, Coviello, & Tang, 2011). This study concentrates on perceived attitudes toward institutional environment as formulated by entrepreneurs in charge of strategic decisions to create, grow, and ultimately internationalize their ventures. In this thesis, intentions to create and grow their ventures are regarded as prerequisites for internationalization; necessary, but not sufficient.

The main research question of the study is the following:

RQ: What is the role of institutional environment in international entrepreneurship?

The following sub-questions help to provide the answers to the main research question, through research articles included in the structure of the dissertation.

The first article, Publication I “Explaining the degree and scope of new venture internationalization from emerging economies: Case of Russia” gave a start to the current thesis and formed the basis for the subsequent elaboration of the phenomena in focus. The empirical testing of the first study addressed the following research questions:

RQ1a: What factors are associated with the degree and scope of internationalization of new ventures from emerging economies, particularly from Russia?

RQ1b: What are the underlying reasons for these relationships to occur?

The first part of the question above has been addressed quantitatively, while the latter was covered in qualitative manner in the discussion section of Publication 1.

Beginning with the rather broad research questions posed in Publication I, the results found there brought me to a more definite area of entrepreneurial internationalization, specifically focused on institutional forces involved in the process. In order to comprehend available knowledge on this topic, I decided to conduct a review study in the form of qualitative meta-synthesis (QMS), answering the following research question (Publication II):

RQ2: How do institutional factors affect entrepreneurial internationalization as it is represented by qualitative evidence within IE domain?

While meta-analysis of quantitative studies aims to increase certainty in regards to a particular cause-effect relationship, QMS tries to understand and explain phenomena in

an interpretive manner (Walsh & Downe, 2005). Being an umbrella term to a family of methodological approaches, QMS seeks to develop new knowledge by building on rigorous analysis of available qualitative research studies.

The aim of this study is to produce an interpretation of previous qualitative research results on entrepreneurial internationalization relying on the institutional perspective. This specific format for a review paper was chosen after a preliminary review of both qualitative and quantitative studies covering the institutional aspect of entrepreneurial internationalization. Being initially developed and popularized in the area of healthcare research, the possibility of applying QMS to the field of management was discussed later (Tranfield, Denyer, & Smart, 2003). Within management literature, QMS was not widely applied, but there are notable studies worth mention. A recent publication by Cristina Hoon draws attention to the research design of a meta-synthesis of qualitative case studies, proposing eight steps on how to build theory using this method and providing illustration of its application in the field of dynamic capabilities (Hoon, 2013). Thus, the second article, Publication II “Institutional lens to entrepreneurial internationalization: A meta-synthesis of qualitative case studies” explicitly elaborates on the results of available qualitative research. Moreover, this study allows us to build a research framework further employed in the consequent case studies. The need for a deeper understanding of several underlying relationships brought by results of Publications I and II proposed additional research inquiries, further pursued in Publications III and IV.

Publication III “The Interplay of Effectuation and Causation in Decision Making: Russian SMEs under Institutional Uncertainty” is a multiple-case study aimed at following how increased institutional uncertainty affects decision-making of internationalized SMEs. The institutional context of Russia, especially in relation to the recent economic crisis and trade sanctions, made it a natural laboratory to investigate how this changing institutional environment and related increase in institutional uncertainty is evaluated, enacted, and responded to by entrepreneurs in charge. The research question posed in this study is the following:

RQ3: How does the increased institutional uncertainty affect decision-making of internationalized SMEs?

Particularly, the study attempts to reveal how the case firms, heavily involved in international business relations, adapt themselves to the dramatically changing and unstable institutional context. While changing institutional conditions and the related uncertainty are usually considered harmful to business enterprises, especially to resource-constrained SMEs (Aldrich & Auster, 1986; Welter & Smallbone, 2011; Verreynne, Meyer, & Liesch, 2016), it is worthwhile to study how firms cope with the institutional uncertainty and what helps them to survive, and even enhance, their competitive positions. In this paper, we suggest incorporating an entrepreneurial theory of effectuation (Sarasvathy, 2001) to explore how smaller firms adjust their decision making and react to increased institutional uncertainty. By adapting a processual approach (Langley, 2009),

this longitudinal study follows how a changing institutional environment affects the decision-making logic of import-dependent SMEs from Russia.

The last, but not least, article included in my doctoral dissertation, Publication IV, is based on a series of interviews with Russian entrepreneurs. There is no doubt that entrepreneurship is a fuel of economy and every country tries to encourage it by various means, but building favorable conditions that are reflected in high rates of entrepreneurial activity still seems to be perplexing, with a lot of unknown areas. Cross-national comparisons of regulative institutions related to entrepreneurship do not give us a clear answer about the differences in the rates of entrepreneurship around the globe. Extensively studied regulative environments should not be considered apart from informal institutions, while their complex combinations could be evaluated and enacted by, and responded to, differently by entrepreneurs from various nations. Entrepreneurs themselves are the creatures of the institutional environment and are embedded in it, but they also play a role in institutional change. Accordingly, this phenomenological study aims to uncover individual experiences and cognition of entrepreneurs in dealing with home country institutional environments in relation to their intentions and decisions to create, expand, and internationalize their ventures. Thus, the following research question reflects phenomenological stance behind the study:

RQ4: What is the “lived experience” of institutional environment entrepreneurs have in relation to their decision to create, expand and internationalize their ventures?

This first-hand experience in dealing with institutional environments, extracted and synthesized from the series of interviews with entrepreneurs, not only expands our understanding of institutional factors involved in domestic and international entrepreneurship, but also shows how institutional settings are evaluated, enacted, and responded to by entrepreneurs.

1.3 Structure

The doctoral dissertation is structured as follows. The first chapter introduces the background of the research and describes its objectives and structure. The second chapter is devoted to theoretical background. The third chapter describes research design and methodology. The fourth chapter provides a brief summary of research publications included in this work (see Table 1), as well as a synthesis of their results in the form of an integrative model. The final chapter is dedicated to discussion of results and conclusions.

Table 1. Summary of the four publications

	Publication I	Publication II	Publication III	Publication IV
Title	New Venture Internationalization from an Emergent Market: Unexpected Findings from Russia.	An Institutional Approach to Entrepreneurial Internationalization: Qualitative Meta-Synthesis.	The Interplay of Effectuation and Causation in Decision Making: Russian SMEs under Institutional Uncertainty	Internationalisation of new Russian ventures: the institutional frontier
Research questions	What factors are associated with the degree and scope of internationalization of new ventures from emerging economies, particularly from Russia? What are the underlying reasons for these relationships to occur?	How do institutional factors affect entrepreneurial internationalization as it is represented by qualitative evidence within IE domain?	How does increased institutional uncertainty affect decision-making of internationalized SMEs?	What is the “lived experience” of institutional environment that entrepreneurs have in relation to their decision to create, expand and internationalize their ventures?
Objective	To analyze and explain the influence of home country institutional environment (among others factors) on the new venture internationalization from Russia	To analyze existing qualitative evidence showing the impact of institutional factors on entrepreneurial internationalization in the IE research domain	To explore how changing and uncertain institutional environment is reflected in entrepreneurial decision-making concerning international sourcing	To analyze how an institutional environment is perceived by entrepreneurs relative to their intentions and decisions to create, expand and internationalize their ventures
Methods	Part I: Quantitative – Tobit and negative binomial regressions; Part II: Qualitative interviews	Qualitative meta-synthesis	Longitudinal multiple-case study	Interviews-based study
Data	Part I: Survey of 75 INVs from Russia; Part II: Six interviews with entrepreneurs-owners of INVs from Russia	Research articles on entrepreneurial internationalization published in IE domain between 1989 and 2015 (N = 528).	19 interviews with CEOs and managers of two Russian SMEs, secondary data	213 interviews with entrepreneurs, investors, and government representatives doing business in Russia

2 Theoretical background

The purpose of this chapter is to provide an overview of the theoretical background relevant to the current doctoral dissertation. As far as this study belongs to the research domain of international entrepreneurship and tries to incorporate an institutional lens in examination of the focal phenomenon, namely, entrepreneurial internationalization, it builds upon a number of theoretical perspectives. The following sections of this chapter represent these theoretical points of departure, which are of a particular interest to the current study.

2.1 Internationalization of the firm

The issue of internationalization of the firm has been a focal phenomenon of studies in international business for many decades and is still an expanding field of research. Early contributions of Adam Smith (1776), David Ricardo (1817) and Heckscher and Ohlin (1934), which respectively emphasized absolute, competitive, and factor endowments advantages for international trade at macro-level. Later on, based on their ideas, a number of micro-level theoretical perspectives on firms' internationalization were developed within the international business domain. Although the history of research in this area has been adequately portrayed elsewhere (Andersson, 2000; Knight & Liesch, 2016; McDougall, Shane, & Oviatt, 1994), a brief description of the main theoretical perspectives is provided in the remaining part of this section.

Initially, internationalization of the firm was studied based on the evidence from large corporations from developed economies, which resulted in the formation of the fundamental theoretical models on the subject matter. Among them are economic theories of foreign direct investment and multinational enterprise (Buckley & Casson, 1976; Dunning, 1980; Hymer, 1960; Vernon, 1966), various behavioral stage-based models of internationalization of the firm (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson & Vahlne, 1990, 1977; Reid, 1981) and a network approach to internationalization (Johanson & Mattsson, 1987, 1988).

The group of FDI and MNE theories, with their interest in activities of western corporations in foreign countries, includes Hymer's monopolistic advantage theory (1960), Vernon's life cycle theory, the theory of internalization by Buckley and Casson (1976), and John Dunning's eclectic paradigm (1980). According to this direction, the main criterion guiding firms in entering international markets is comparative levels of transaction costs. Firms choose the best path for market entry on the principle of minimizing transaction costs while maximizing its advantages (Buckley & Casson, 1976; Coviello & McAuley, 1999; Dunning, 1988; Hennart, 1982).

Stage-based internationalization models see internationalization as a gradual process where firms intensify their international operations step by step, overcoming certain obstacles and learning new foreign markets. Among them, the most popular one is the

Uppsala model, which was developed on the basis of case study of four Swedish export firms (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). The model is based on the tenets of the behavioral theory of the firm (Cyert & March, 1963) and represents internationalization as an incremental process of going through certain stages of international development that reflect the interaction between the knowledge of foreign markets and the degree of the company's international involvement (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). At that time, other researchers developed a number of variations and alternatives to the Uppsala model of internationalization of the firm (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981), but they all involved a stepwise principle of international development and emphasized learning and acquisition of knowledge based on previous experience (Ruzzier, Hisrich, & Antoncic, 2006).

The third perspective, named the network approach to internationalization, emphasizes the idea that firms' internationalization happens in the context of business networks as they try to establish and develop their positions within their networks (Johanson & Mattsson, 1987, 1988). The importance of managing relationships between all involved parties in the supply chain has been popularized by researchers in industrial marketing and purchasing (IMP Group) (Håkansson, 1982). The basic idea of the network approach is that the activities of any company exist within a particular system (network) of relationships, usually consisting of a limited number of customers, suppliers, and other network entities. Long-term relationships within a network based on trust and mutually beneficial cooperation help to reduce transaction costs, but success of the company largely depends on its position within the network. Later, this idea was employed for the development of a network-based approach to internationalization of the firm (Johanson & Mattsson, 1987, 1988). With regard to internationalization, the network approach assumes that the success of the company in the development of new foreign markets depends more on the existing company networks and relationships within the network (both on the home market and abroad) than on their choice of markets and proximity of cultures (Johanson & Mattsson, 1988). Communication and relations help the company to enter new markets, find business partners, and develop its market position (Coviello & Munro, 1995).

More recently, studies on International New Ventures and Born Globals suggested an alternative model where firms do not follow traditional stage-based paths, and internationalize much earlier and faster, leap-frogging certain stages (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). This perspective is presented in the following section (see section 2.2., International entrepreneurship).

Table 2. Main theories of internationalization of the firm

Theoretical perspective	The notion of internationalization	Key factors relevant for internationalization of the firm	Implications for entrepreneurial internationalization
Monopolistic advantage theory (Hymer, 1960)	The firms' growth, expanding across borders, is explained by the desire to exploit (or gain) monopolistic advantages against its competitors abroad (or at home).	Monopolistic advantages of the firm, compared to other firms in the host market; the firm's ability to internalize key production factors	For the successful entrepreneurial internationalization, firms should have some advantages unique for the host market. Defense of its firm-specific advantage is the cornerstone for the firm's survival on the market.
Theory of internalization (Buckley and Casson, 1976)	The process of internalization of production factors abroad leads to a decrease in transaction costs and control over key production assets.	Market imperfections; ability to control key production assets	For successful entrepreneurial internationalization firms should exploit available market imperfections between home and host countries and engage in continuous learning through internalization of knowledge and experience gained in multiple markets of presence.
Eclectic paradigm or OLI model (Dunning, 1980)	The natural process of adaptation and organizational development, which is based on a combination of available advantages.	Ownership advantages (O); location advantages (L); internalization advantages (I).	Adequate assessment and management of OLI-advantages is a good management tool for planning and implementation of entrepreneurial internationalization strategies. In connection with learning-based development, continuous assessment and development of all three sets of advantages will help to compete in increasingly globalized environments.
Product life-cycle theory (Vernon, 1966)	The natural process of adaptation and development of the organization, related to the life cycle of a manufactured product.	The availability and cost of production factors; innovative capacity in host countries; the demand for the product in host countries	It is worth starting new product development initiatives in countries with higher R&D capacity and demand for new goods, and after the standardization of production and the emergence of competition to search for ways to minimize costs in other markets.
Uppsala model and other staged models of internationalization	The process for changing the degree of international involvement of the company through training and the development of market knowledge	Knowledge of foreign markets; learning and gaining experience; psychic distance	The model can serve as a guide for internationalization, in the way that it stresses the importance of continuous learning and accumulation of experiential knowledge in the process of internationalization.
Network approach	Initiation, development and maintenance of business relationships in foreign markets.	Firm's position within industrial networks; Relationships and connections; The degree of internationalization of the company and the market	Using business and personal relationships in the process of internationalization can have a significant impact on the results. Getting the information you need, and seeking for opportunities in international markets through networking can have a decisive role in the development of internationalization strategy.

In general, regardless of theoretical perspective from which it is viewed, *internationalization* can be defined as “the process of increasing involvement in international operations” (Welch & Luostarinen, 1988, p. 36) or “the process of adapting firms’ operations (strategy, structure, resources, etc.) to international environments” (Calof & Beamish, 1995, p. 116). Although these two definitions are rather different from one another, they do not contradict each other and could be regarded as complementary. It seems worth noting that international operations from the first definition are not limited to export activities, but have much broader sense, including activities on different types of markets (financial, labor, stock, knowledge, etc.). The second definition reveals the strategic importance of the international context, including institutional environments. The decision to internationalize dramatically changes the business and can be, and actually is, considered by practitioners as one of the most important for the development of their business. Strategically, internationalization can be considered as a major driver of business success, particularly for entrepreneurial firms that have high-growth ambitions.

2.2 International entrepreneurship

The emergence of the international entrepreneurship research domain is generally associated with the empirical paper written by Patricia McDougall, who highlighted the difference between domestic and international new ventures (McDougall, 1989). Since then, the attention of the scientific community given to the subject of international entrepreneurship has been growing exponentially due to the emergence and rapid expansion of the population of international new ventures (INVs) and born globals (BGs), while their proliferation can be simultaneously regarded as an effect and a cause of globalization.

In contrast to more traditional theories of internationalization, which state that a firm gradually increases its international involvement in parallel with accumulation of experience, despite limited resources, this new breed of organizations – INVs and BGs – tend to internationalize at an early stage, and rapidly. *International new ventures* (INVs), “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49), were found to play a significant role in the global economy. In this dissertation, the operational definition of INVs refers to entrepreneurial firms which internationalized in the first 6 years following their inception (Zahra, Ireland, & Hitt, 2000). In general, researchers in the IE domain agree that such firms do not follow the traditional model of internationalization, which first requires a considerable home-based growth phase, and only then a gradual increase in international activity. This accelerated internationalization process allows firms to reach a wide range of consumers quickly, but such a quick entry to the global market is also associated with a number of problems that need to be promptly addressed by management.

Although the most commonly used definition of *international entrepreneurship* is ‘the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services’ (Oviatt & McDougall, 2005, p. 538), in this dissertation, international entrepreneurship refers to ‘behavioral processes associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders’ (Styles & Seymour, 2006, p. 134). According to this definition, IE is comprised of entrepreneurial behavior exhibited by various types of firms in foreign countries, regardless of what kind of international activities they perform there (Servantie et al., 2016). For instance it could be sales, sourcing or partnerships, but all these activities embrace *entrepreneurial internationalization*, i.e. “entrepreneurship that crosses national borders” (Jones et al., 2011).

2.3 Institutional theory perspective

This thesis employs the following definition of *institutions*: “institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 2008, p. 48).

The basic assumption of the institutional approach to organizational analysis is that companies operate in constant interaction with the institutional environment, which affects their strategic decisions. According to economist Douglass North, *institutions* are defined as “constraints that structure human interaction” (North, 1990, p. 3) and include both formal rules – the laws and government regulation, and informal – traditions, norms and culture (Peng, 2003). American sociologist William Richard Scott conceptualizes institutional environment as consisting of three dimensions (Table 3), which are responsible for various institutional elements and may have different effects on the behavior of people and organizations: regulative (the state policy in relation to business), cultural-cognitive (knowledge and skills shared in the community), and normative (the system of values in society) dimensions (Scott, 1995). Thus, institutional context includes rules, social norms, and cognitive structures, and is the basis for market relations, establishing the “rules of the game” (North, 1990; Scott, 1995). While the economic and sociological branches of institutional theory have seemingly different definitions and categorizations of institutions, this dissertation follows an integrative approach and relies on the relevant insights from these two streams of institutional theory (Peng, Sun, Pinkham, & Chen, 2009; Puffer, McCarthy, & Boisot, 2010).

Table 3. Three Pillars of Institutions (Scott, 2014, p.60)

	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-cognitive</i>
<i>Basis of compliance</i>	Expedience	Social obligation	Taken-for-grantedness, shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic

<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules, laws, sanctions	Certification, accreditation	Shared logics of action, isomorphism
<i>Affect</i>	Fear guilt / innocence	Shame / honor	Certainty / confusion
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible, recognizable, culturally supported

Scott's framework of three institutional pillars has been applied in a broad array of domains within social sciences, including strategic management, international business, and entrepreneurship. For example, the three institutional pillars have been employed to explore the company's strategic choices during fundamental institutional changes (Peng, 2003) and applied as a construct of country institutional profile (CIP) to the issue of quality management (Kostova, 1997) and later extended to country institutional profile of entrepreneurship (CIPE), explaining levels of entrepreneurial activity in different countries (Busenitz, Gómez, & Spencer, 2000). Since then, CIPE has been applied in various studies within entrepreneurship (Manolova, Eunni, & Gyoshev, 2008; Spencer & Gómez, 2004) and international entrepreneurship (Descotes, Walliser, & Guo, 2007; Descotes, Walliser, Holzmüller, & Guo, 2011; Volchek, Jantunen, & Saarenketo, 2013; Volchek, Saarenketo, & Jantunen, 2015) research domains. The broader discussion on the three-pillar construct and the use of an institutional perspective in the international entrepreneurship domain is presented in Publication II. While the publication synthesizes the qualitative evidence of institutional impact on entrepreneurial internationalization documented within the IE domain, the review of quantitative studies is also provided in the appendix of the study (Publication II).

In accordance with the views of institutional theory, institutions serve as authoritative guidelines for social behavior (Scott 2014), and thus, taking into account contextual embeddedness of entrepreneurial actions, have a substantial value in explaining entrepreneurial behavior and decision-making (Welter, 2011). International new ventures, disadvantaged for being new, small, and foreign actors in host country institutional contexts, seek legitimacy, i.e. "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, beliefs, and definitions" (Suchman, 1995, p. 574). Hence, entrepreneurial opportunities, decisions, and actions are conditioned upon the institutional environment in which they are embedded. Thus, entrepreneurial opportunities, decisions, and actions related to internationalization are all influenced by institutional environments. Despite its importance, most literature reviews in international entrepreneurship emphasized that the institutional perspective is underutilized (Jones et al., 2011; Szyliowicz & Galvin, 2010) or even neglected (Keupp & Gassmann, 2009).

2.4 Entrepreneurial cognition

According to Ulric Neisser, the father of cognitive psychology, *cognition* consists of “all the processes by which sensory input is transformed, reduced, elaborated, and used” (Neisser, 1976, p. 4). Brought into the context of entrepreneurship, the definition of domain-specific entrepreneurial cognition appeared as the “knowledge structures that people use to make assessments, judgements, or decisions involving opportunity evaluation, venture creation and growth” (Mitchell et al., 2002, p. 97).

In order to make a particular entrepreneurial decision, entrepreneurs undergo cognitive processes of evaluation related to identified opportunity. By putting entrepreneurial cognitions between institutional environment and venture creation decisions, Lim and co-authors (2010) were able to identify several significant relationships between institutional factors, entrepreneurial cognitions, and venture creation decisions. However, their study only considers two particular formal institutions, namely, property rights and regulatory simplicity.

Although cognitive perspective in entrepreneurship is becoming increasingly important in advancing understanding of phenomena related to entrepreneurship (Grégoire, Corbett, & McMullen, 2011; Mitchell et al., 2002; Mitchell, Randolph-Seng, & Mitchell, 2011; Ward, 2004), the use of this perspective to study entrepreneurial internationalization has not been sufficiently elaborated so far (Butler, Doktor, & Lins, 2010; Milanov & Maissenhalter, 2014; Zahra, Korri, & Yu, 2005). A broader discussion on cognitive perspective in entrepreneurship can be found in Publication IV.

2.5 Theory of effectuation

Although the theory of effectuation was brought to this thesis through inductive exploration of the relationship between increased institutional uncertainty and undertaken entrepreneurial decisions, the current section presents brief summary of this theoretical perspective upfront. More extensive representation and discussion on effectuation theory is provided within Publication III.

Entrepreneurial theory of effectuation, introduced by Saras Sarasvathy (2001), suggests an alternative view of the decision-making of entrepreneurs, when compared to traditional formal planning approaches (i.e. causation). She distinguish causations, which “take a particular effect as given and focus on selecting between means to create that effect” from effectuations, which “take a set of means as given and focus on selecting between possible effects that can be created with that set of means” (Sarasvathy, 2001, p. 245). The table below provides a comparison between effectual and causal reasoning (Table 4).

Table 4. Contrasting effectual against causal reasoning (adapted from Sarasvathy & Dew, 2005).

Issue	Causal position	Effectual position
View of the future	<i>Prediction.</i> The future is a continuation of the past; can be acceptably predicted	<i>Design.</i> The future is contingent on actions by willful agents
Constructs pertaining to individual decisions		
Givens	<i>Goals</i> are given	<i>Means</i> (Who I am, what I know, and whom I know) are given
Decision agenda	<i>Resources.</i> What resources ought I to accumulate to achieve these goals?	<i>Effects.</i> What effects can I create with the means I have?
Basis for taking action	<i>Desired worlds.</i> Vision of a desired world determines goals; goals determine sub-goals, commitments, and actions	<i>Possible worlds.</i> Means and stakeholder commitments determine possible sub-goals—goals emerge through aggregation of sub-goals
Basis for commitment	<i>Should.</i> Do what you ought to do—based on analysis and maximization	<i>Can.</i> Do what you are able to do—based on imagination and satisficing
Stakeholder acquisition	<i>Instrumental view of stakeholders.</i> Project objectives determine who comes on board	<i>Instrumental view of objectives.</i> Who comes on board determines project objectives
Constructs in terms of responses to the environment		
Predisposition toward risk	<i>Expected return.</i> Calculate upside potential and pursue (risk adjusted) best opportunity	<i>Affordable loss.</i> Calculate downside potential and risk no more than you can afford to lose
Predisposition toward contingencies	<i>Avoid.</i> Surprises may be unpleasant, so invest in techniques to avoid or neutralize them.	<i>Leverage.</i> Surprises can be positive, so invest in techniques that are open to them and leverage them into new opportunities.
Attitude toward success/failure	<i>Outcomes.</i> Success and failure are discrete outcomes to be sought after or avoided, respectively	<i>Process.</i> Successes and failures are inputs into a process that needs to be managed such that failures are outlived and successes are accumulated
Attitude toward probability estimates	<i>Update beliefs.</i> Estimates are used in a Bayesian fashion—to update one's beliefs about the future.	<i>Manipulate conditionals.</i> Estimates signal which conditionals may be reified or falsified so the future can be skewed through action.
Attitude toward others	<i>Competition.</i> Constrain task relationships with customers and suppliers to what is necessary	<i>Partnership.</i> Build YOUR market together with customers, suppliers and even prospective competitors
Underlying logic	To the extent we can predict the future, we can control it	To the extent we can control the future, we do not need to predict it

While effectuation is increasingly gaining momentum within entrepreneurship literature (Berends, Jelinek, Reymen, & Stultiens, 2014; Fisher, 2012; Perry, Chandler, & Markova, 2012; Sarasvathy, 2008), recently, this perspective was also extended toward international entrepreneurship (Andersson, 2011; Harms & Schiele, 2012; Mainela & Puhakka, 2009; Sarasvathy, 2008; Sarasvathy, Kumar, York, & Bhagavatula, 2014; Schweizer, Vahlne, & Johanson, 2010). It was found that in the process of new venture internationalization, experienced entrepreneurs tend to employ effectuation rather than causation (Harms & Schiele, 2012). Born globals were found to switch between causation and effectuation based on characteristics of key decision-makers and market uncertainty (Nummela, Saarenketo, Jokela, & Loane, 2014), while internationalizing SMEs apply these two decision-making logics for different tasks: causation for foreign market selection and effectuation for foreign market entry (Chetty et al., 2015).

Despite of its increasing popularity, recent reviews underline a number of critical issues to solve in order to move it forward from the state of infancy (Arend, Sarooghi, & Burkemper, 2015; Read, Sarasvathy, Dew, & Wiltbank, 2016). The multiple-case study paper included in this doctoral dissertation (Publication III) presents effectuation theory and attempts to address several of the identified limitations.

2.6 Summary and framework of the study

Having in mind all abovementioned theoretical points of departure, this section is devoted to presentation of a conceptual framework for the current doctoral dissertation. Although it was gradually further developed and adjusted in the course of my studies, here I would like to present *ex ante* model, which is based on literature reviewed prior to my own conducted studies.

The conceptual model below is based on a strategy tripod approach to international business planning, which highlights institution-based views as especially relevant for strategy development for emerging market firms (Meyer & Peng, 2005; Peng, 2003; Peng, Wang, & Jiang, 2008). While the first two legs of the strategy tripod, namely a resource-based view (Barney, 1991; Wernerfelt, 1984) and an industry-based view (Porter, 1980) are considered classical for strategic management, the institution-based view allows addressing of the criticism of the former two in their ignorance of contextual factors beyond firms' task environments (Peng et al., 2009). Various empirical studies within the international entrepreneurship domain examined relationships between different factors from the three identified groups of antecedents.

The first group of factors is rooted in a resource-based view (RBV) of the firm. While RBV is considered as one of the most influential theoretical perspectives in the organizational sciences (Barney, Wright, & Ketchen, 2001), and entrepreneurship scholarship has largely drawn from it, major theoretical developments in RBV have been achieved within the strategic management field, and regarding larger and established firms (Kellermanns, Walter, Crook, Kemmerer, & Narayanan, 2016). Within the international entrepreneurship domain, researchers have analyzed various strategic

(valuable, rare, inimitable, and non-substitutable) resources (Barney, 1991) that create competitive advantages for international new ventures (Fernhaber, McDougall-Covin, & Shepherd, 2009; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Westhead, Wright, & Ucbasaran, 2001).

The second group of antecedents comprises industry-related factors and thus largely draws upon industrial organization (IO) economics (Porter, 1980). While the impact of industry on strategy and behavior is widely acknowledged in strategic management literature (Peng et al., 2009; Solberg, 1997), and its role has been emphasized in the seminal articles on international new ventures (McDougall, 1989; Oviatt & McDougall, 1994), this stream of antecedents has not received sufficient attention in the subsequent literature in the domain of international entrepreneurship (Andersson, Evers, & Kuivalainen, 2014; Jones et al., 2011). Existing research is largely based on evidence from developed economies (Bloodgood, Sapienza, & Almeida, 1996; Boter & Holmquist, 1996; Shrader, Oviatt, & McDougall, 2000) or is conceptual in nature (Andersson et al., 2014; Fernhaber, McDougall, & Oviatt, 2007), and thus requires empirical verification in the context of emerging economies.

According to the institution-based view, internationalization as a strategic choice of entrepreneurial ventures is not only driven by firm-specific resources and industry conditions, but is also shaped by the institutional framework entrepreneurs confront. More specifically to the focus of this dissertation, the institution-based view on strategy was conceptually extended to new venture internationalization from emerging to developed economies (Yamakawa, Peng, & Deeds, 2008). Their study identifies a number of factors from each group that have an impact on internationalization and also proposes how these factors contribute to overcoming barriers and liabilities associated with the implementation of overseas operations. Thus, the conceptual framework of the current doctoral dissertation (Figure 1) draws from the institution-based view in strategy (Peng et al., 2009) and its extensions to entrepreneurship (Bruton, Ahlstrom, & Li, 2010) and new venture internationalization (Yamakawa et al., 2008).

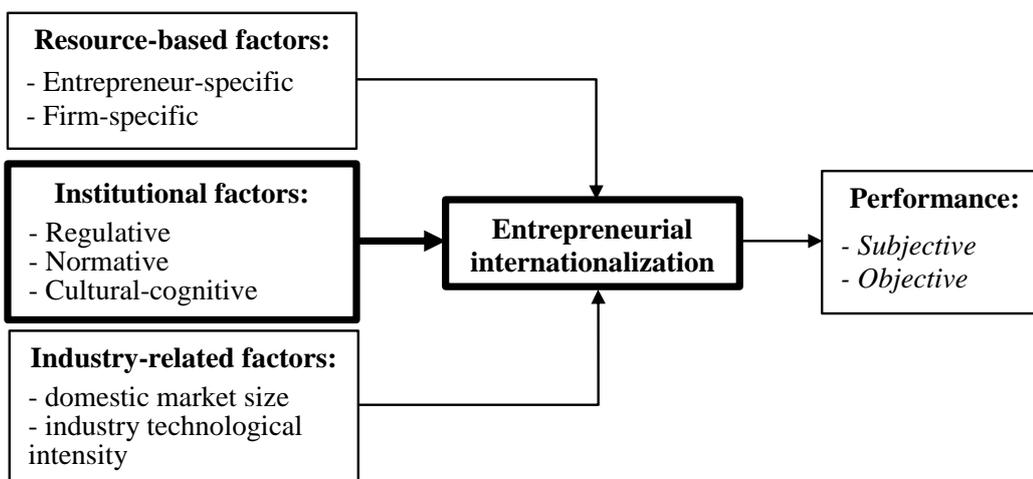


Figure 1. Conceptual framework of the dissertation

While the current doctoral dissertation study mainly focuses on the role of institutional factors on entrepreneurial internationalization, the impact of resource-based and industry-related factors will be considered as well, in order to examine their role in the context of an emerging market, thus revealing possible interrelationships with institutional factors. The arrow from internationalization to performance is assumed to have a positive impact, as it was eventually claimed to have been proved in a recent meta-analysis study (Marano, Arregle, Hitt, Spadafora, & van Essen, 2016). Later on, the abovementioned conceptual framework undergoes further development in accordance with findings of my own studies and result into the *ex post* integrative model of the study (see section 4.5 and Figure 4)

3 Research design and methodology

The dissertation implies the use of multiple methods, quantitative and qualitative, and to consider the doctoral dissertation a single study, it should fit the definition of a mixed method study:

A mixed methods study involves the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research (Cresswell, Plano-Clark, Gutmann, & Hanson, 2003).

While the choices of specific methods in all four publications included in this doctoral dissertation are separately justified within methodological sections of each paper, this chapter is devoted to how methodologies of the individual papers fit together in response to the main research question of the dissertation. Additionally, this chapter discusses some aspects of methodological consideration which have not been incorporated into the individual publications, but have played a considerable role in the development of my own methodological comprehension. This understanding has mostly happened due to discussions at various conferences, research seminars, and informal talks with colleagues and co-authors, alongside extensive readings of methodological articles and books. Overall, the work on this doctoral dissertation may be represented as a continuous accumulation of knowledge on the topic of interest and related areas, coupled with verification of one's own empirical findings and thoughts, thus involving back and forth interaction of theory and methods. This kind of approach to research is commonly referred to as abduction (Dubois & Gadde, 2002, 2014), and allows for better understanding of the phenomena in focus.

3.1 Research design and methodological considerations

This section presents research design of the doctoral dissertation and my own personal methodological considerations related to the studied topic as it has been experienced during the course of my doctoral studies.

The structure, research design, and logic of the entire thesis have particular methodological reasons behind them. There are three general motivations for combining qualitative and quantitative methods, particularly if one wants 1) to produce converging results across different methods, 2) to accomplish specific tasks based on additional coverage, or 3) to use the results from one method to contribute to the needs of another (Morgan, 2014). In this doctoral dissertation, the third approach of sequential contribution was utilized. Preliminary literature review, coupled with a quantitative paper (Publication I, part I), opens up new questions to answer and problems to address using qualitative meta-synthesis (Publication II) and qualitative methods, such as multiple-case

(Publication III) and interview-based (Publication I, part II and Publication IV) studies (Figure 2).

The first quantitative study (Publication I, part I) serves as an input for the following studies by revealing further gaps to be examined and by explicating some limitations and problems of addressing the focal phenomena with quantitative methods at the current stage of theoretical development. In its turn, qualitative (Publication I, part II, Publication III and Publication IV) and review-based (Publication II) studies should further serve the purposes of quantitative inquiry by revealing additional factors to include in the subsequent empirical testing, or providing insight. The abductive logic and related progressive focusing (Sinkovics & Alfoldi, 2012) are reflected in the research design scheme (Figure 2) by inclusion of the dashed feedback arrows.

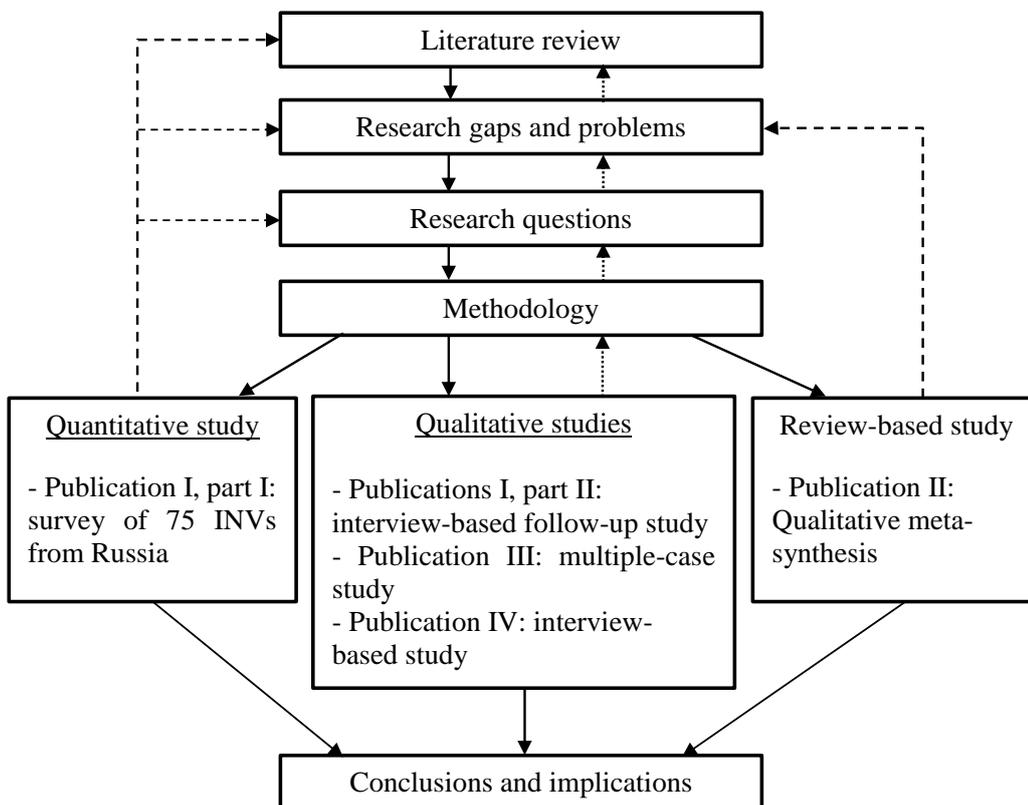


Figure 2. Research design of the doctoral dissertation

As it can be seen from the research design (Figure 2), I have started to explore the field of international entrepreneurship by reviewing corresponding literature within the domain, including existing linkages to its parent disciplines, namely international business and entrepreneurship, as well as to a number of applicable theoretical

perspectives including resource-based views of firms, industrial organization, and institutional theory. When I was given the task of reviewing the literature in the domain of international entrepreneurship by my supervisor, I didn't fully understand I was doing it. While reading and analyzing an extensive number of articles, I had in mind the possibility to contribute to the base of knowledge with my own studies, and thus, rather intuitively, I was looking for existing gaps. Only later I got to know that, along with the aforementioned approach, there are other ways to generate research questions for our own studies, namely problematization (Alvesson and Sandberg, 2011) – and this made my mind clear. According to Alvesson and Sandberg, problematization is “a methodology for identifying and challenging assumptions that underlie existing theories and, based on that, generating research questions that lead to the development of more interesting and influential theories” (2011, p.248). Admitting that the gap-spotting rhetoric is dominant, for various reasons, the authors claim that problematization is more likely to lead to more interesting and impactful theories. As is also shown in the abovementioned study (Alvesson and Sandberg, 2011), for example, distinction between real research process and its representation in published texts may constitute a deliberate transformation of problematization research to gap-spotting rhetoric in order to reduce the risks related to the challenging of one's own (including reviewers and editors) assumptions, and consequently chances of publishing an article.

In my case, although I started with gap-spotting, the timespan of my doctoral studies allowed to employ the alternative approach as well. Retrospective reflection about my first publication reveals that I took direction on how to begin my research without a research question. Moreover, for the first year of my doctoral studies, I had been taking many methodological courses, mainly focusing on quantitative analysis; this rather pragmatically influenced the choice of methodology for the first research paper.

Thereby, in 2012, after a review of the international entrepreneurship research domain, I couldn't find any clear and persuasive answers on what factors influence new venture internationalization from emerging markets and whether those driving factors play a similar role for emerging markets as they do for new ventures from advanced economies. The first study conducted (Publication I, part I) was based on primary sources of information collected via survey, but later on was complemented with additional qualitative insights based on later collected interview data (Publication I, part II).

Although we had some troubles in accumulating a sufficient sample size (see Section 3.2. Data collection), initially this deductive research process seemed to me clear and somewhat riskless. In that study, problematization took place after obtaining interesting results, which contradicted shared understanding and theoretical assumptions supported by studies from advanced countries' contexts. Since our statistical analysis led to quite intriguing conclusions which required further explanation, the study evolved into a so-called sequential explanatory mixed-method design (Creswell, 2014). Thus, apart from the quantitative analysis, to gain better understanding of the research problem, we conducted additional qualitative analyses based on a number of interviews, informal talks, and discussions with entrepreneurs, researchers, and experts in the industry. This

qualitative part acts as a complement to a quantitative one by helping to explain and understand findings obtained from statistical analysis by exploring participants' views in more depth (Creswell, 2014; Morgan, 2014). With the help of visual modeling (Steckler, McLeroy, Goodman, Bird, & McCormick, 1992) the relationship between the two parts of Publication I may be presented as follows (Figure 3):

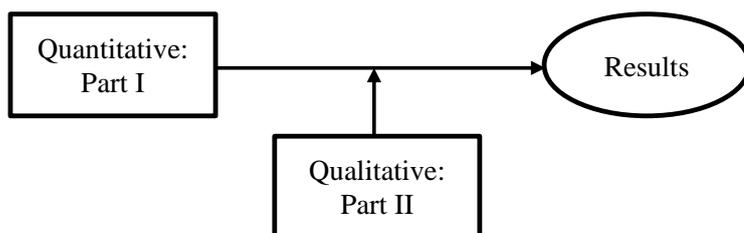


Figure 3. Qualitative methods to explain quantitative findings (adapted from Steckler et al., 1992)

Despite it was perfectly logical in our view and adopted in social science research, this kind of research design was surprisingly not welcomed by editors and reviewers in the journal outlets where we initially tried to publish this paper. Some of reviewers' comments are provided below:

There is a mix of quantitative data and qualitative analysis but without using them in a conventional way. The qualitative data are used after the quantitative analysis to interpret the results from the quantitative analysis. Sincerely, I have never seen this type of methodology before! (Reviewer from the International Business Review)

...your research starting point should have been an in-depth case based research to offer contextually unique observations, followed by a survey research to corroborate your research findings. (Reviewer from the Journal of International Management)

While we think that these comments are very much biased, in the following version of our paper, and also in this section of the doctoral dissertation, I have tried to articulate and justify our methodological choices in more detail.

Starting with my first study, I have been faced with challenges of data collection. In order to address the research question posed in the first publication, we had to conduct a survey of Russian INVs. As far as population of INVs in Russia was not (and is not) defined by official sources, because corporate databases do not contain information about foreign operations of companies, our ability to perform a desirable probability sampling was limited. Moreover, having in mind a relatively small share of Russian firms with international sales, a convenience sampling by all possible means was performed in order to collect a sufficient number of firms which could be qualified as INVs. The first round of surveys was conducted in the summer of 2011, with further sample extension finished by the end of 2012. During the first round, we were able to obtain only 40 usable

responses. At that point in time, we utilized our personal networks and snowball sampling when a respondent was asked to name other entrepreneurs who might be contacted. In some cases, telephone interviews and even company visits were needed. In total, from about 600 firms contacted, 120 responses were returned, from which only 75 firms qualified for our analysis. The exclusions were made because some firms did not have international operations and/or did not fit in the definition of INV (firms that internationalized during their first 6 years of existence). Closer relationships with some firms from the sample developed during data collection have been also utilized further in performing the following multiple-case study (Publication III).

My second study (Publication II), qualitative meta-synthesis, aimed to synthesize available qualitative evidence alongside revealing existing gaps for the use of institutional theory in the domain of international entrepreneurship. The data for the meta-synthesis was taken from the referred journals in the international entrepreneurship domain. Starting with a thorough analysis of individual qualitative articles in the IE domain, framed by Jones and colleagues (Jones et al., 2011; Servantie et al., 2016), we have been able to integrate otherwise separate institutional influences on entrepreneurial internationalization into joint meta-causal map, while revealing existing gaps and directions for further research. Thus, the main contribution of this qualitative meta-synthesis lies in building theory at a higher level of abstraction, through theory-based integration of individual empirical observations. Although research questions formulated in the study do not contain signs of problematization, the chosen methodology itself views overreliance on statistical methods for combining evidence (e.g. meta-analysis) as problematic and stands against ignorance of the evidence found in qualitative studies.

The third study (Publication III) was initiated from an opportunity to fill the existing gap identified in the previous study (Publication II), thus representing the gap-spotting approach. Particularly, qualitative meta-synthesis revealed that influence of institutional uncertainty on international entrepreneurship has not received any attention in the IE domain. At the same time it seemed to have (and eventually found support in our study) a considerable role in decision making related to international operations.

The last study included in this doctoral dissertation (Publication IV) started as a response to another previously identified gap, but within the study we have identified few problematic assumptions to challenge. The gap encompassed the lack of understanding of how entrepreneurs perceive institutional environments and how these perceptions reflect in their (international) entrepreneurial intentions on the way to realized actions. In response to this gap, we decided to analyze interviews with entrepreneurs from two video programs publicly available on the internet. In that study, I have fully experienced the major challenge of qualitative enquiry; namely, how to transform a massive amount of data into useful information with no universal formula available to offer guidance on how to tackle the challenge. From an interpretive approach in that study, we revealed that country institutional profiles for entrepreneurship do not consist of three (or four) separable dimensions, but rather represent more complex sets of inseparable institutional constellations. Particularly, various institutional elements from different dimensions may

intertwine and form a bundle that has a distinctive impact on a dependent variable. This view explains why management of particular institutional factors, as it is measured by various reports and rankings (e.g. Doing Business), does not always reflect in respectively changing figures in dependent variables (e.g. entrepreneurship). Thus, we problematize theoretical assumption of institutional dimensionality that stands behind the construct of CIPE. This conceptualization of institutional factors in general opens up new areas of enquiry, not only in (international) entrepreneurship, but also in many other domains.

3.2 Philosophical considerations

Since I started my research journey, and until recently, I was puzzled by the philosophical assumptions and paradigms that researchers, including myself, have, and I have tried to avoid this topic of discussion by various means. Moreover, as far as, in our field, it is very rare for research article authors to, in their work, explicitly articulate their philosophical views and how those views frame their studies, I felt it a somewhat unnecessary debate. I always tried to escape these types of discussions – for me the most important issue was how rigorous one’s methods were and how good the manuscript was, over the philosophical stance behind them. For me, it does not matter what someone thinks of reality and the nature of knowledge if a rigorous study can be conducted, reported according to conventions in the field, and provide useful knowledge. Only later have I got to know that these statements belong to a pragmatic approach.

Although until recently I have not been able to state my own philosophical stance clearly and explicitly, my research choices were always guided by some implicit and deep-rooted assumptions about the world and the knowledge I was trying to produce. This section of my thesis is devoted to explanation of my methodological choices in light of a discussion of philosophy of science and knowledge, and eventually explications of my own philosophical assumptions. This section itself reflects the pragmatic approach applied also to the writing of this thesis. By intellectual self-reflection on my own research, I am trying to serve my own interests of further development as a researcher in addition to mere reporting of results.

Most of the doubts and unsettled considerations led me to extensive readings – some have become my favorite and, to a large extent, had the greatest role in my own development as a researcher. While some of these papers have been able to provide answers and solutions to internal debates, thus satisfying and feeding my mind with indispensable pieces of knowledge, others have been additional food for thought or even deepened my doubts. Inspired by the “critical mess theory” (Gartner & Birley, 2002), in this dissertation, I was trying to immerse myself in the “muddled circumstances of an entrepreneurial phenomenon” by digging into first-hand evidence and experiential knowledge relative to the studied phenomenon in an attempt to get closer to a threshold needed for one’s own ability to ask the right questions in future research (Gartner, 2010, p. 7). While it is clear that I am only starting my journey and I can hardly believe that

anyone is ever able to resolve all doubts, I can confidently say that I have enjoyed and will be enjoying the process.

3.2.1 Paradigm wars

The concept of paradigms has been popularized since Kuhn's book, *The Structure of Scientific Revolutions*, was published in 1962, in which Kuhn defines it as "the set of common beliefs and agreements shared between scientists about how problems should be understood and addressed" (1962). The traditional approach, in social science, is to distinguish paradigms based on the fundamental triad from the philosophy of knowledge; namely, ontology (the nature of the reality), epistemology (what can be known about that reality), and methodology (how to go about producing the knowledge about the reality) (Morgan, 2014). Two rival paradigms in social science research are realism (i.e. positivism) versus constructionism (i.e. phenomenology, interpretivism), though their ontological, epistemological, and methodological assumptions are "incommensurable" in terms of Kuhn. A sound representation of this view is present in the table below (Table 5).

Table 5. Realism versus constructivism

	Realism	Constructivism
Core assumptions	Begins by assuming there is a "real world" that is external to the experience of any particular person, and it posits that the goal of research is to understand that world.	Begins by assuming that everyone has unique experiences and beliefs, and it posits that no reality exists outside of those perceptions.
Ontology	There is a single reality that exists apart from our perceptions or interpretations of that real world.	There are multiple realities that reflect the different experiences and beliefs of different people
Epistemology	Our knowledge about the world can be subject to error, so what we know today may be replaced by future knowledge.	Each individual possesses a unique perspective on reality and thus his or her individual conception of "truth".
Methodology	Researchers test evidence according to its ability to explain events in the world, and they revise their theories in response to that evidence.	Researchers can learn about experiences and beliefs of others, and they provide interpretations of these data in the form of theories.

Adapted from Morgan 2014 p.38

Trying to put myself into one of these two rival camps, I always thought that I belonged to interpretivists; but having considerable doubts in denial of the objective and measurable reality, I deliberately decided to stay away from becoming a blind and strict follower of all the principles stipulated by any of these stances. Alternatively, by viewing the two paradigms from different angles, I have tried to anticipate what the consequences of either approach would be to a particular problem-solving task. The dissonance and practical approach to methodology I had eventually brought me to a reconciling approach described in the following section.

3.2.2 Pragmatism as a middle road

A pragmatic approach to research was one of the revelations that made my studies more meaningful and interesting to myself, and hopefully to others. According to the pragmatic approach, “the mandate of science is not to find truth or reality, the existence of which are perpetually in dispute, but to facilitate human problem-solving” (Powell, 2001, p. 884). Instead of questioning whether something is true or not, pragmatism seeks to produce truthful knowledge on “how things work” in practice (Watson, 2011). A pre-paradigmatic status of entrepreneurship scholarship admitting the plurality in philosophical and methodological approaches we can deploy (Zahra, 2005) allows for intelligent modifications of our philosophical underpinnings to fit different types of research goals (Kenworthy & McMullen, 2014).

Moreover, the pragmatic approach to inquiry allows for integration of quantitative and qualitative studies by combining the different strength of both methods. In particular, a pragmatic approach to research design is built on the understanding of available alternatives with their corresponding outcomes as a justified solution in responding to stated research questions. In mixed-method studies, not only should separate parts be precisely evaluated and compared to possible alternatives, but also to the combination of methods chosen for a single study. Mutual relevance of the knowledge produced within different paradigms is of a special attention to pragmatic approaches to mixed-methods studies.

One of the most valuable takeaways from my doctoral studies is the results of a lingering journey toward philosophical self-identification. During my studies I experienced many moments of true intellectual discomfort, and these challenging feelings have been and are still motivating me toward greater research comprehension. For example, completion of the quantitative part of the Publication I led me to wonder whether we needed yet another replication study, as such. And if not, what should we do to make the study more useful and eventually publishable? When we decided to opt for a qualitative extension, I had to dig more deeply into methodological readings and editorials on the use of qualitative and mixed methods. By the time, I knew that most of the studies in international business and entrepreneurship are quantitative (Birkinshaw, Brannen, & Tung, 2011; Doz, 2011; Nummela & Welch, 2007), and that there is an “uncertainty about how to conduct ‘good’ case research and how to convince reviewers, editors, and the broader audience of readers of the real value of qualitative research and single case studies” (Dubois & Gadde, 2014,

p. 1282). As well, there seems to be no consensus on the application and assessment criteria of mixed-method approaches either in general (Morgan, 2014), or in international business (Hurmerinta-Peltomäki & Nummela, 2006) or entrepreneurship (Molina-Azorín, López-Gamero, Pereira-Moliner, & Pertusa-Ortega, 2012; Nummela & Welch, 2007) studies in particular.

3.2.3 Phenomenological stance

In general, phenomenology helps to identify insights that are common throughout experiences in order to emphasize the universal themes held within the lived experiences. While all the empirical papers from the current dissertation rely on perceptual data and thus, to some degree, admit the phenomenological nature of entrepreneurial decision-making, ultimately the phenomenological stance and corresponding methodological apparatus has been explicitly applied within Publication IV. The research objective of that study implied shedding light on the experiences of entrepreneurs in relation to a surrounding institutional environment that is relevant for their decisions to create, expand, and internationalize their venture.

To conclude this chapter, the development of the current doctoral dissertation evolved through step-wise gap-spotting and problematization, coupled with methodological triangulation (Table 6). The views on methodological parity between quantitative and qualitative approaches gradually developed in the course of my study, and now I can say that I have tried both quantitative and qualitative approaches, complete with challenges and respective advantages.

Table 6. Research journey

	Study	Takeaway
Stage 1 2012-2013	Literature review in international entrepreneurship and related theories	Problem 1: Theories within the IE domain have been developed by western researchers and have been largely supported with data from advanced economies. Are these theories also applicable to emerging economies such as Russia? Problem 2: Number of contradicting results, particularly from emerging market contexts.
Stage 2 2013	Quantitative study responding to Problem 1 (Publication I, first step)	Response to Problem 1: Publication I, first step (No) -> Gap 1: Why the theories are not universally applicable? Problem 2: Deficiencies of quantitative methods in explanation of institutional influence on entrepreneurial internationalization
Stage 3 2013-2014	Qualitative explanation of surprising results (Publication I, second step)	Filling Gap 1: Publication I, second step (because of the difference in institutional environments) Gap 2: What other studies in the IE domain tell us about the impact of the institutional environment on entrepreneurial internationalization?
Stage 4 2014	Qualitative meta-synthesis as a response to Gap 2 and Problem 2 (Publication II)	Synthesis of qualitative evidence from the IE domain related to institutional impact on entrepreneurial internationalization. Gap 3: institutional uncertainty Gap 4: deeper understanding of entrepreneurial perceptions of institutional environment in relation to entrepreneurial intentions including internationalization
Stage 5 2015	Multiple case study as a response to Gap 3 (Publication III) Second step as a response to Problem 3: contrasting cases with different performance	With increased levels of institutional uncertainty entrepreneurs tend to use more effectuation. Problem 3: Why do some effectuating firms achieve better performance than others?
Stage 6 2015	Interview-based study as a response to Gap 4 (Publication IV)	What is important – cognitive perceptions based on own experience and the generally hindering effect of informal institutions

4 Summary of the publications and review of results

However beautiful the strategy, you should occasionally look at the results

Sir Winston Churchill (1874-1965)

This section summarizes the four research articles included in this doctoral dissertation. Four separate sections devoted to the respective articles briefly present background and objectives, main findings, and the role of each article in the doctoral dissertation. The final section of this chapter integrates the results of conducted studies into one framework.

4.1 Publication I. New Venture Internationalization from an Emergent Market: Unexpected Findings from Russia.

4.1.1 Background and objectives

Earlier research in the IE domain has largely examined factors of internationalization of new ventures from advanced economies and thus have formed the basis for theoretical development in the domain (Laanti, McDougall, & Baume, 2009; Oviatt & McDougall, 1994; Zahra & George, 2002; Zucchella, Palamara, & Denicolai, 2007). Since more and more firms from emerging economies (EE), including new ventures, have increasingly begun to internationalize, this phenomenon came into the focus of scholarly research (Kiss, Danis, & Cavusgil, 2012; Yamakawa, Peng, & Deeds, 2008). However, the extant research on new venture internationalization from emerging markets is yet small in number and has several limitations. First, it examines a limited range of attributes such as drivers, capabilities, and performance of international expansion of NVs from EE (Fabian, Molina, & Labianca, 2009; Liu, Xiao, & Huang, 2008; Lu, Zhou, Bruton, & Li, 2010; Yiu, Lau, & Bruton, 2007). Yet, other features of new venture internationalization such as its degree and scope are little understood. Second, a large proportion of research is theoretical and lacks empirical foundation (Bruton, Ahlstrom, & Obloj, 2008; Yamakawa, Peng, & Deeds, 2008; Kiss, Danis, & Cavusgil, 2012). Third, empirical studies in EE to date cover few national contexts and predominantly focus on China and India (Jormanainen & Koveshnikov, 2012).

Having in mind the background presented above, the first article addressed the following research question:

RQ1a: What factors are associated with the degree and scope of internationalization of new ventures from emerging economies, particularly from Russia?

As we found some surprising results needing further explanation, we decided to extend the study with qualitative add-on to answer the additional sub-question:

4.1 Publication I. New Venture Internationalization from an Emergent Market: 41 Unexpected Findings from Russia.

RQ1b: What are the underlying reasons for these (surprising) relationships to occur?

4.1.2 Main findings

In this article, based on the integrative theoretical framework we test a set of hypotheses explaining the degree and scope of new venture internationalization from emerging economies (Figure 4).

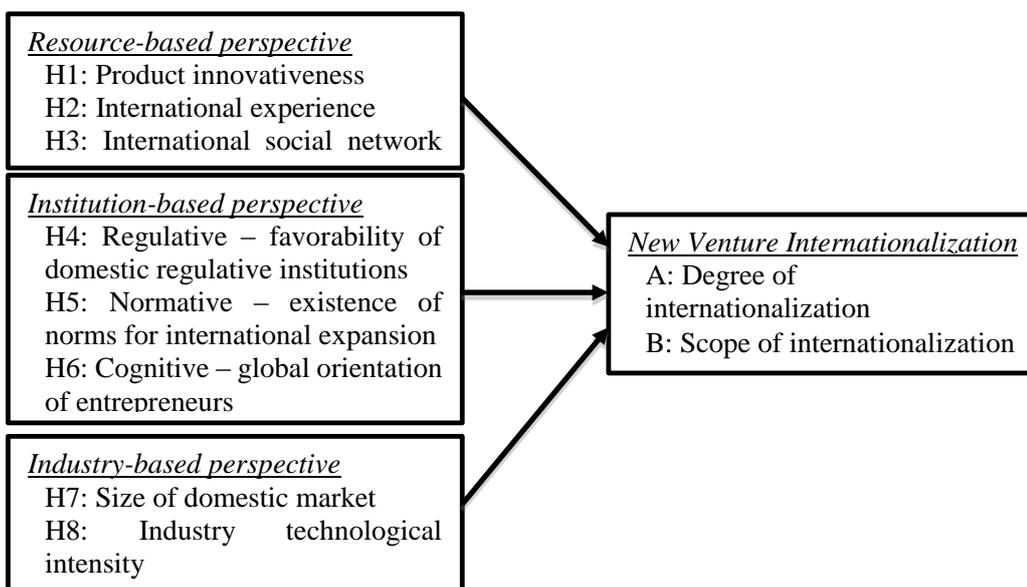


Figure 4. Degree and scope of new venture internationalization from emerging economies

We test our hypotheses by analyzing survey data from Russian NVs and use the evidence from personal interviews for drawing theoretical implications. The empirical findings show that institutional factors have the strongest relationship, with the degree and scope of internationalization in EE contexts that is in line with recent studies on the importance of institutions. However, we find that the relationship of factors rooted in resource-based perspectives is inconsistent with existing literature. Based on these findings, we develop four so-called “puzzles,” and extend theoretical development about the degree and scope of new venture internationalization from EE. We also make an empirical contribution by enhancing knowledge about Russian INVs, which have been little studied by international scholars.

The results indicate that social networks (H3) are significantly and positively associated only with the degree of internationalization. Further, level of norms for international expansion (H5), presence of global orientation of entrepreneurs (H6), and size of domestic market (H7) have positive association with both degree and scope of

internationalization. That was in line with our expectations and the existing literature on new venture internationalization. However, our findings show no support for relationships between such factors as product innovativeness (H1), international experience (H2), and industry technological intensity (H8), with either the degree or the scope of internationalization. The relationship of regulative institutions (H4) and internationalization is only marginally significant in relation to the degree of internationalization. These findings illustrate interesting contradictions with results of other studies and indicate that there is a need for explanations behind the links between product innovativeness, international experience, industry technological intensity, and the scope and degree of internationalization.

The contribution of this study is threefold. First, we extend the existing knowledge on factors associated with the degree and scope of internationalization (Fernhaber et al., 2007; Oviatt & McDougall, 1994; Yamakawa et al., 2008). Second, we shed light on the specific features of the EE context and contribute to an ongoing debate about whether existing theories on developed countries' NVs are sufficient to explain the degree and scope of NV internationalization or new approaches and context-specific concepts are needed. We reveal important differences of our findings from existing literature and outline several puzzles or inconsistencies that exist in degree and scope of internationalization between the NVs' from emerging and developed economies. Third, we enhance knowledge about Russian firms, which have been studied to a significantly less extent than firms from other EE (Bruton et al., 2008; Jormanainen & Koveshnikov, 2012; Shirokova & McDougall-Covin, 2012). These findings, revealed during the research project, not only confirmed some certain links for firms in the context of emerging economies, but also revealed interesting contradictions and gaps. Deeper investigation of these would be of a special interest.

4.1.3 Role in the thesis

The first article included in the current doctoral dissertation served as initiation of the current thesis and formed a solid basis for the subsequent elaboration of the phenomena in focus. In particular, this study revealed the great role of institutional factors, among others, on internationalization of new ventures from emerging markets – in this thesis, specifically those from Russia. Additionally, the study identified some directions for further research and triggered my personal methodological concerns regarding the studied relationship (see Section 3.1.).

4.2 Publication II. An Institutional Approach to Entrepreneurial Internationalization: Qualitative Meta-Synthesis.

4.2.1 Background and objectives

The second article analyzed qualitative evidence regarding the relationship between institutional factors and entrepreneurial internationalization documented within the

domain of IE research. Although there is a growing amount of quantitative research related to institutional influences on entrepreneurial internationalization, most of it, following quantitative research logic, simply scratches the surface, confirming the existence and direction of pre-determined institutional factors and constructs. Drawing from and extending Scott's three-pillars framework (Scott, 1995), those quantitative studies assess the impact of predetermined measurable variables related to country institutional profiles for entrepreneurship (e.g. Volchek, Jantunen, & Saarenketo, 2013), leaving apart deeper understandings of the nature and mutual interrelatedness of institutional processes involved in acts of organizational behavior such as entrepreneurial internationalization (Szyliowicz & Galvin, 2010). Notably, a large share of quantitative studies examine the impact of a separate dimension of institutional environment; in most cases, a regulatory aspect (Coeurderoy & Murray, 2008; Ketkar & Acs, 2013; Shirokova & Tsukanova, 2013). Considered solely, available data upon differing regulative institutional contexts (e.g. for entrepreneurship) leave apart the interplay between different dimensions of an institutional environment, for instance the issue of how these regulatory conditions are interpreted and enacted by domestic and international actors (e.g. entrepreneurs). While regulations seem to be interpreted using individual cultural-cognitive mechanisms, norms within the particular societal structure determine to what degree (if any) it is common to follow a certain set of regulations. In other words, we believe that there is a significant source of variance in the organizational behavior of entrepreneurial firms due to distinctiveness of informal institutional influences involved in entrepreneurial decision-making upon internationalization. Accordingly, this study aims to draw a broader, holistic picture of entrepreneurial internationalization, viewed from institutional perspective. Particularly, in order to understand the current status of available knowledge, we have attempted to incorporate qualitative empirical evidence related to institutional influence on entrepreneurial internationalization by means of qualitative meta-synthesis. Classification of articles in the domain of international entrepreneurship revealed an almost non-existent number of qualitative articles that have explicitly employed institutional theory to explain the phenomena of entrepreneurial internationalization, whereas a substantial part of IE research contained some kind of empirical evidence related to institutional impact. A clear need to marry this implicit institutional evidence with theoretical basis motivated this research. Thus, the following research question has been stated:

RQ2: How do institutional factors affect entrepreneurial internationalization as it represented in qualitative evidence within IE domain?

4.2.2 Main findings

The synthesis of the qualitative evidence allowed for identification of key categories involved and built an empirically-based conceptualization of the focal issue. Though neither study is able to comprehend all the available empirical evidence, even on a specific topic, and match it to all the existing concepts of institutional theory, this study is nevertheless able to reveal major evidence-based categories discussed and show potential directions for further research in the area. Due to space limitations, this article

was focused on central concepts of institutional theory such as legitimacy and isomorphism, though there are still a lot more opportunities to explore. During the process of reviewing and theoretically matching available qualitative accounts, we were able to reveal interesting areas for further research. One of these areas, which was deliberately left aside for a further research article, is the work of meaning and institutionally-based cognition relevant to the process of entrepreneurial internationalization. Another possible line of further research could address the issue of how entrepreneurs behave within certain (or even more interestingly, uncertain) institutional environments. A third possible research stream would focus on the task of building a more favorable institutional environment for international entrepreneurial firms around the world, taking into account national specificities that could not be easily changed. The last, but not least in this list, could be the attempt to resolve the following paradox of ambidexterity (conformation versus differentiation): Institutional pressures force firms to conform to environments, making them more similar to each other in the process of gaining survival-enhancing legitimacy, whereas in order to efficiently compete, entrepreneurial firms have to be unique and differentiate themselves.

4.2.3 Role in the thesis

The second study in this doctoral dissertation identified two gaps, which were further filled by subsequent studies. First, research revealed that the impact of institutional uncertainty on entrepreneurial internationalization has not been examined (Publication III). A second direction proposed for further research calls for deeper understanding of entrepreneurial cognitions regarding institutional factors influencing entrepreneurial internationalization (Publication IV).

4.3 Publication III. The Interplay of Effectuation and Causation in Decision Making: Russian SMEs under Institutional Uncertainty

4.3.1 Background and objectives

The third study is a longitudinal multiple-case study that was submitted to the *International Entrepreneurship and Management Journal*. The assumption of institutional stability (i.e. the opposite of institutional uncertainty) is critical in conceptualization of firms' strategic responses to their institutional environments (Oliver, 1999; Witt & Levin, 2007), with many emerging markets' institutional environments being far from stable (Newman, 2000; Peng & Heath 1996; Hafsi & Farashahi, 2005; Khanna & Palepu 2000). Thus, development of new theoretical approaches is required in order to explain firm behavior under conditions of institutional uncertainty (Farashahi & Hafsi, 2009). The institutional context of Russia and the recent regime of foreign trade sanctions makes it a natural laboratory to study change in decision making regarding the international activities of SMEs. This article explores how the increased institutional uncertainty is evaluated, enacted, and responded to by SMEs that are heavily involved in relations with international suppliers, and hence responds to the following research question:

RQ3: How does increased institutional uncertainty affect decision-making of internationalized SMEs?

4.3.2 Main findings

This longitudinal study reveals that under conditions of increased institutional uncertainty SMEs simultaneously use both causation and effectuation in their decision making; however, the intensity of both types varied along the studied period. Also, the studied firms used effectuation logic differently, which enables two types of effectuation to be distinguished: opportunity-driven effectuation and survival effectuation. Comparing these two types, we identified a number of mediating factors which differentiate more successful effectuation from less successful. Particularly, under conditions of increased institutional uncertainty, effectuation is more effective when firms are able to 1) obtain new knowledge and competencies for their international operations, 2) network and increase the number of potential international partners, 3) invest in emerging opportunities and learning about their foreign partners, 4) leverage contingencies through consistent and non-contradictive decisions in order to proactively seek and exploit opportunities, and 5) combine it with causation securing opportunity exploitation.

4.3.3 Role in the thesis

The study investigated the role of institutional uncertainty on decision-making regarding international operations of entrepreneurial firms, thus filling the previously identified gap. By doing so, it has brought up the effectuation theory as relevant for the explanation of firms' behavior under conditions of increased institutional uncertainty. In addition, the study provided a recommendation on how firms should cope with institutional uncertainty by means of effectuation.

4.4 Publication IV. Internationalisation of new Russian ventures: the institutional frontier.

4.4.1 Background and objectives

The last article aimed at investigating the individual experiences of entrepreneurs in dealing with home country institutional environments related to operations of their ventures, such as venture creation, domestic growth, and internationalization. Real-life experiences of entrepreneurs in dealing with institutional environments not only expand our understanding of institutional factors involved in entrepreneurship as well as in framing intentions or discouragement for internationalization, but also show how institutional settings are evaluated, enacted, and responded to by entrepreneurs through mechanisms of cognition. Bringing these real-life experiences to a more abstract level is helpful for more efficient management and designing better policies for both domestic and international entrepreneurship, thus fueling national economy. Investigating how

entrepreneurs' cognitive representations of their entrepreneurial intentions and actions derive from images that they have of their surrounding institutional environments; this article responds to the following research question:

RQ4: What does the “lived experience” of institutional environment entrepreneurs have in relation to their decision to create, expand, and internationalize their ventures?

4.4.2 Main findings

The data describes a range of processes by which domestic institutional environment interacts with individuals relative to their entrepreneurial intentions and behavior. According to the study, entrepreneurial cognition is responsible for identification of opportunities and elaboration of exploitative actions alongside co-creation of socially constructed business opportunities in an effectual manner. The study provides new insights into how entrepreneurs are affected by their surrounding institutional environments and how they can resist and potentially change factors inhibiting their intentions to create, expand, and internationalize their ventures. Thus, this publication responds to the calls for further utilization of an institutional perspective in the IE domain, addressing the role of individual entrepreneurs with their cognitions regarding surrounding institutions.

Supported by the analysis of 213 interviews, the study proposes that the impact of institutional pressures on entrepreneurial cognition is moderated by entrepreneurial experience and the level of industry-based competition. In other words:

P1: The more experience an entrepreneur has, the lower the impact of institutional pressures on their cognitions regarding their intentions to create, expand, and internationalize their venture.

P2: The higher the level of industry-based competition, the lower the impact of institutional environment on entrepreneurial cognitions regarding their intentions to create, expand, and internationalize their venture.

4.4.3 Role in the thesis

This interview-based study identified mediating and moderating factors within the studied causal path between institutional environment and entrepreneurial internationalization. By doing so, it has also filled one of the previously identified gaps by presenting a cognitive perspective on institutional factors in relation to international entrepreneurship.

4.5 Summary of overall results

This section provides the *ex-post* integrative framework that connects studies included in the current doctoral (Figure 4). The figure consists of four groups of conceptual elements,

including antecedents, moderators and mediators, and outcomes. The group of *Antecedents* comprises of three groups of factors previously identified in the ex-ante framework (see Figure 1), namely *Resource-based*, *Industry-related*, and *Institutional factors*. While all three groups were taken into account, the focus, and eventual contribution, of this thesis regards the group of *Institutional factors*. Comparing this block to its ex-ante version reveals two considerable changes. First, problematization of the possibility to operationalize institutional environments with three separable dimensions (i.e. CIPE) suggests a less straightforward application of Scott's three-pillar framework and tries to conceptualize it as a more sophisticated system where different factors from each dimension may intertwine with factors from other dimensions, resulting in an idiosyncratic impact on a dependent variable (Publications I and IV). Another change in that box is the inclusion of *Institutional uncertainty* as another independent factor (Publication II identified the gap, Publication III filled the gap).

It is important to note that while articles included in the current doctoral dissertation address research issues at different levels of specificity, some boxes representing more specific instance of more a general level (or parent) concept. For example, we may follow the relationships identified in the multiple case-study (Publication III). As the study aimed to analyze the role of institutional uncertainty, the corresponding box *Institutional uncertainty* is placed within its parent box *Institutional factors*, which consequently belongs to the group *Antecedents*.

Further, the figure illustrates mediating and moderating forces identified by various studies in this dissertation. The mediating role of entrepreneurial cognitions and the following decisions on the path from institutional factors to internationalization was largely stipulated in Publication IV, but this finding is supported – or at least does not contradict – and can be logically applied to other studies as well. For example, our multiple-case study (Publication III) revealed that under conditions of increased *Institutional uncertainty*, entrepreneurial cognitions tend to be more effectual in their decisions regarding international operations. Thus, *Effectuation as decision-making logic* is depicted within the box of *Entrepreneurial cognitions* as an instance of mediating mechanisms on entrepreneurial decisions, including internationalization.

Having in mind that the identified relationship exists at different levels, I assume that a relationship identified at a more specific level may indicate existence of a relationship at a more abstract level. In this vein, conceptualization of my case study, (Publication III) depicted as a causal path starting from the box *Institutional uncertainty*, also supports or proposes existence of a relationship between more general categories. The dotted arrows between *Implemented actions*, *Mediators of implementation* and *Performance* represent this kind of inductive reasoning, when inferences on the general case are made from particular case. Additionally, the following framework may serve as a platform for additional studies in the future.

5 Discussion and conclusions

This chapter is devoted to the overall contribution of the current doctoral thesis, providing a synthesis of my own studies in relation to existing bodies of knowledge related to the focal phenomena. Additionally, as far as no research is able to solve all the problems and fill all the gaps available in a particular research area, a separate section of this chapter is dedicated to acknowledgement of limitations and formulation of further research directions.

The main aim of the thesis was to study the role of institutional environment in international entrepreneurship. Having in mind that the research objective stated for the current doctoral dissertation cannot be fully responded to in either in any research article or in the form of doctoral dissertation, I tried, with my own studies, to identify and fill some knowledge gaps and address explicated problematic areas relative to the focal relationship. Based on a number of theoretical perspectives and the results of existing empirical research, the study resulted in the four separate publications devoted to addressing particular previously identified gaps. Each gap addressed by individual publications enhances our understanding of the role of institutional environment in international entrepreneurship.

5.1 Answering the research question and fulfilling the research objectives

The main research question was formulated as follows: *What is the role of institutional environment in international entrepreneurship?* Four publications included in the doctoral thesis produced and analyzed original empirical evidence (Publications I, III and IV) or synthesized available empirical evidence (Publication II), revealing particular instances of the impact that institutional environment has on entrepreneurial internationalization.

In particular, Publication I was aimed at analyzing and explaining the influence of home country institutional environment (among others factors) on the degree and scope of new venture internationalization from Russia. The study revealed the dominant role of the home country institutional environment, among other influences, including resource- and industry-based factors. Secondly, the study revealed that in the context of new venture internationalization from an emerging economy (Russia), formal regulative environment is less important than informal cultural-cognitive and normative institutions.

Publication II analyzed existing qualitative evidence within the international entrepreneurship research domain, showing the impact of institutional factors on entrepreneurial internationalization. By means of qualitative meta-synthesis, the extant qualitative evidence regarding institutional impact on entrepreneurial internationalization (including implicit evidence) was synthesized and interpreted, allowing identification of

key categories involved and built an empirically-based conceptualization of the focal issue.

Publication III was aimed at investigating how increased institutional uncertainty affect decision-making of internationalized SMEs. The conducted multiple-case study of internationalized SMEs conveyed that an increase in institutional uncertainty drives effectuation in decision-making. The study showed that the intensity of effectuation and causation varies depending on the changing perceptions of institutional uncertainty. In addition, the study provided a practical recommendation on how effectuation and causation can help in coping with institutional uncertainty.

Publication IV expanded our understanding about home country institutional environments by analyzing how the Russian institutional environment is perceived by entrepreneurs relative to their intentions to create, expand, and internationalize their ventures. Based on 213 interviews with entrepreneurs, the study built the general model for entrepreneurial cognition based on experience and institutions. The model implies that before making a particular decision (venture creation, growth, or internationalization), entrepreneurs evaluate previously identified opportunities through the prism of their own experience as well as against expectations of the institutional environment. This mechanism of cognitive assessment embodies an interesting duality between institutionally shared opinions and personal experimental knowledge of the entrepreneurs, if the latter is available. In addition, the analysis revealed the intertwined impact of particular institutional factors, thus emphasizing the need to study institutional factors in combinations (“bundles,” or configurations) rather than trying to separate the impact of certain institutional dimensions.

5.2 Theoretical contribution

The study’s contribution stems from combining an institutional perspective with a cognitive approach to (international) entrepreneurship by conceptualizing environment not only as a supply base and target of outputs but also as a “source of meanings” (Scott, 2014) for entrepreneurs relative to their intentions to create, grow and internationalize their ventures.

Contributing to the institutional perspective in (international) entrepreneurship (Bruton et al., 2010; Szyliowicz & Galvin, 2010), the study offers general support that this theoretical lens is able to explain not only domestic but also international behavior of entrepreneurial ventures from emerging economies. In particular, in the context of the emerging economy of Russia, the role of institutional factors on the degree and scope of new venture internationalization was found to be of primary importance, when compared with resource-based and industry-related factors. This finding emphasizes the relevance of and contributes to the institution-based view on international business strategy of entrepreneurial firms from emerging economies (Peng et al., 2008; Yamakawa et al., 2008).

The study shows that institutional factors may intertwine and act as “bundles” in their impact on individuals’ perceptions and subsequent entrepreneurial decisions, rather than as separable factors or dimensions with unidirectional impact (Publications I, IV). Within entrepreneurship literature it was shown that formal institutional voids in Russia and China can create¹ a dependence on informal institutions (Puffer et al., 2010). While that study focuses on the particular “institutional bundle” (as we call it) which is comprised of the specific combination of the formal (private property rights) and informal (blat and guanxi) institutions, there is a full spectrum of other potential bundles to examine in further research.

A hostile institutional environment of transition economies, as it is perceived by outsider potential entrants, creates an additional protectionist barrier, while in practice *experienced* entrepreneurs emphasize that the burden of regulative pressures is exaggerated. Even if certain regulative pressures critically affect their ventures, experienced entrepreneurs know how to respond without any or at affordable cost. As the evidence analyzed in Publication IV shows, the burden of associated costs is often carried by the consumer. Institutional entrepreneurs might even co-create some seemingly threatening laws and proactively enact and exploit opportunities it may form. As our evidence from this study shows, the behavior of coping with the regulative burden clearly reflects the three major principles of effectuation – affordable loss, leveraging contingencies, and reliance on a network (Sarasvathy, 2001).

Theoretical contributions to international entrepreneurship literature comes from identification of factors that moderate and mediate the relationship between institutional environment and international entrepreneurship. Simply put, moderator variables are those that specify under which conditions certain effects will or will not hold, whereas mediator variables speak to how and why such effects occur. The study also contributes to the discussion on applicability and validity of a country’s institutional profile for entrepreneurship as a measurement instrument (Volchek et al., 2013, 2015).

The next theoretical contribution lies in revealing the role of institutional uncertainty as a driving force for effectuation in decision-making. The link identified in the conducted, more narrowly focused, study is but one example of the above-stated more general relationship that might be extrapolated to a range of situations. Theoretical contribution to effectuation literature is made by shedding light on the performance implications of effectuation by highlighting mediating factors involved with implementation of effectual decisions. While effectuation has become a prominent perspective in describing entrepreneurial decision-making, especially in uncertain and turbulent environments, so far, underlying mechanisms of effectuation theory have not been sufficiently studied (Arend et al., 2015; Sarasvathy et al., 2014). Our longitudinal process-based study enhances the understanding of how and why effectuation leads to success in some cases and fails to do so in others.

¹ While the authors use the word *create* in their study, I have some doubts about this statement of causality.

5.3 Practical implications

In addition to the theoretical contribution, the study also has significant implications for practitioners, including entrepreneurs, investors, and policy-makers.

Entrepreneurs, investors, and managers may find the study useful in showing what makes internationalization of new ventures from emerging economies more successful, and what is less important (Publication I). Specifically, we reveal that for Russian new ventures, entrepreneurs' international experience and social networks – as well as product innovativeness and industry technological intensity – were not found to have relationships with the degree and scope of their internationalization. Thus, entrepreneurs, managers, and investors of new ventures may take it into account in their assessment of new venture internationalization intentions. At the same time, perception of institutional factors was found to have a significant impact, suggesting that if policy-makers want to foster entrepreneurial internationalization, they should carefully consider institutional environment and how it is perceived by entrepreneurs.

In fact, another study (Publication IV) included in this dissertation actually provides a more detailed analysis of how entrepreneurs perceive the Russian institutional environment in relation to their entrepreneurial intentions. Addressing the problem of institutional development conducive to entrepreneurship and its international domain, policy-makers should take into account institutional environments as constellations (bundles) of institutional configurations rather than as separable institutional factors or dimensions. Potential and novice entrepreneurs may learn from the experience explicated in the study what the possible difficulties they may face are and how to overcome and avoid associated problems. The study shows that institutional pressures of social discourse about the struggles of entrepreneurs in Russia has not been reflected in the lived experiences of interviewed entrepreneurs, thus encouraging potential entrepreneurs to move from their entrepreneurial intentions to actions.

Additionally, from this doctoral dissertation they may learn how effectuation and causation can help to cope with institutional uncertainty (Publication III). Particularly, under conditions of increased institutional uncertainty, effectuation is more effective when firms are able to 1) obtain new knowledge and competencies for their international operations, 2) network and increase the number of potential international partners, 3) invest in emerging opportunities and learning about their foreign partners, 4) leverage contingencies through consistent and non-contradictive decisions in order to proactively seek and exploit opportunities, and 5) combine effectuation with causation, securing opportunity exploitation. Although I have to warn against thinking of effectuation *per se* as a magic cure to reduce the likelihood of failure, at minimum it is likely to cut the cost and time of failure.

5.4 Limitations and further research

This section of the dissertation is devoted to the discussion of limitations which restrict the applicability of the results as well as to future research opportunities which largely stem from these limitations.

While a major part of the conclusions in this study have been found through qualitative analysis, which has a suggestive rather than confirmatory nature, additional theory testing studies are necessary for subsequent theoretical advancement. Moreover, as far as the context of all empirical studies in this dissertation is a single emerging market country, Russia, the results have limits to generalizability. Although, largely, the obtained results contradict studies from developed economies, similar findings from studies conducted in emerging economies (Puffer et al., 2010) point to possible generalizability to particular emerging market contexts, specifically countries with unfriendly home country institutions, including China and India. While the variance among emerging markets has been emphasized elsewhere (Hoskisson, Wright, Filatotchev, & Peng, 2013), I believe that issues discussed in this doctoral dissertation, such as institutional changes and uncertainty, inconsistencies between formal and informal institutions, and hostile regulative frameworks are pertinent to many other countries (albeit not only emerging), thus extending the applicability of findings beyond a Russian context. Nevertheless, verification of the research results in a cross-national setting would be highly desirable. Further research may also compare what institutional bundles relevant to international entrepreneurship are present in different countries, for example grouped according to the “Varieties of Capitalism” approach (Hall & Soskice, 2001). The two varieties of capitalism, namely liberal (LMEs) and coordinated market economies (CMEs), provide different comparative advantages for participatory firms, but it’s not clear how these distinct advantages relate to proliferation of international new ventures and entrepreneurial internationalization.

Another limitation relates to the focus of the empirical articles included in the current dissertation on home country institutions. While it a deliberate choice enhancing coherence and the practical relevance of the study, there are a few other potential avenues for further research endeavors. For example, deeper investigation into the issue of institutional escapism, highlighted in Publication IV, can bring forward the issues of entrepreneurial brain drain. The possible study may reveal where and why entrepreneurs escape and what particular institutional reforms are necessary to keep the most productive entrepreneurial brains serving the growth of national economy. Third, countries might also draw from this stream of studies in their attempts to attract foreign entrepreneurs to serve their national economies.

Additionally, further contextual contributions, relative to the development of institutional environments pertinent to the development of entrepreneurship in Russia, are of a high value because the ongoing change related to the political and economic position of Russia in the world, as well as further internal socio-cultural development of the country, might have a critical impact on (international) entrepreneurial intentions and behavior.

Further theoretical contribution within effectuation literature could stem from the avenues highlighted in Publication III. In particular, in this study we propose to examine decision-making under different types of uncertainty – specifically, a quantitative study may test if effectuation is more likely under conditions of structural uncertainty, while the parameter of uncertainty is likely to be addressed with causation. Furthermore, another study could compare effectual activities of entrepreneurs at the stage of business formation with the effectual activities appearing further along firms' life-cycles, bringing forward development of differential capabilities required on the different stages of the life cycle.

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Publication I

Mihailova, I., Shirokova, G., and Laine, I.
**New Venture Internationalization from an Emergent Market: Unexpected
Findings from Russia.**

Journal of East-West Business
Vol. 21(4), pp. 257-291, 2015

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DOI: 10.1080/10669868.2015.1067276

Final article available at: <http://dx.doi.org/10.1080/10669868.2015.1067276>

New Venture Internationalization from an Emergent Market: Unexpected Findings from Russia

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This article offers new insights on determinants of degree and scope of new venture internationalization from emerging markets. We set our study by development of a theoretical framework and hypothesis integrating entrepreneur-, firm-, industry-, and institutional factors to be tested in the Russian empirical context. The results indicate that institutional factors have the strongest relationship with the degree and scope of internationalization in Russian NVs. However, contrary to our expectations and existing literature, entrepreneur-, firm-, and industry-related factors are not associated with new venture internationalization. These unexpected findings have motivated us to implement the second round of empirical research using qualitative approach. As an outcome, we were able to explain the underlying forces behind the inconsistencies in the survey results and to develop four puzzles that provide a foundation for the theoretical extension of new venture internationalization from emerging markets.

KEYWORDS *emerging market, institutions, internationalization, new venture, Russia*

Received May 4, 2015; revised June 23, 2015; accepted June 25, 2015.

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INTRODUCTION

The international expansion of new ventures (NVs) is a novel phenomenon and belongs to a young research field of international entrepreneurship. Earlier research in this field has examined factors of new venture internationalization from developed economies and offered new theoretical approaches (Cavusgil and Knight 2009). Recently, NVs from emerging markets (EM) have increasingly begun to follow the path of rapid internationalization, thus attracting scholarly attention (Kiss, Danis, and Cavusgil 2012). The distinctive nature of new ventures from EM is that they originate from idiosyncratic institutional environments that not only differ greatly from developed countries but also among themselves (Molz, Tabbaa, and Totskaya 2009; Hoskisson, Wright, Filatotchev, and Peng 2013). Institutional influence has distinctive implications for all firms operations in EM (Peng, Wang, and Jiang 2008) and hence, internationalizing NVs from these markets represents a particularly interesting subject for research field of international entrepreneurship.

In this study we aim to examine outcomes of internationalization of EM NVs in terms of the degree and the scope. We argue that it is a very promising and interesting research topic as the constructs of scope and degree provide an objective understanding of both the geography and the intensity of NV's foreign expansion. Furthermore, while there are few theoretical studies examining degree and scope of NV expansion in EM context (e.g., Yamakawa, Peng, and Deeds 2008), they have not yet been empirically understood in the context of EM (Kiss, Danis, and Cavusgil 2012). Despite the fact that there is a substantial number of empirical studies conducted in developed market context (e.g., Fernhaber, Gilbert, and McDougall 2008), their findings cannot be automatically extended to EM NVs since institutional forces have a distinctive influence on firms' operations (Hoskisson, Eden, Lau, and Wright 2000). Thus, we attempt to expand our knowledge and to conduct a replication study about the degree and scope of NV internationalization in an EM empirical setting. In doing so we respond to the recent call for more replication studies in international entrepreneurship field as they allow strengthening theoretical foundations in this yet relatively young field (Terjesen, Hessels, and Li 2013) and test existing concepts established in developed market in emerging market context.

In our theoretical development we build on entrepreneurship and international business perspectives to develop a comprehensive understanding of the degree and scope of NV internationalization from EM. In our analysis we incorporate entrepreneur, firm, industry and institutional factors to shed light on the questions *How are entrepreneur-, firm-, industry-, and institutional factors associated with the degree and scope of NV internationalization from EM?* and *Why do these relationships occur in the way our analysis indicates?* This novel theoretical approach adds value to our study and contributes to

theoretical development of international entrepreneurship field where entrepreneurship and international business perspectives are not yet well integrated (e.g., Keupp and Gassmann 2009).

We have initially designed our research as a replication study based on hypothesis development and testing through a survey of Russian NVs. However, the survey results revealed a number of interesting findings that were in contradiction to our expectations and assumptions in existing literature. Thus we proceeded with the second phase of data collection and conducted a number of personal interviews with owners of Russian NVs. These interviews enabled us to critically analyze the survey findings and to gain a detailed understanding of the unexpected results in regards to entrepreneur, firm and industry related factors. This analysis led to the development of four puzzles and adoption an ad hoc theorizing approach toward a better understanding of the degree and scope of EM NV internationalization.

This study makes several important contributions. First, we deepen the existing knowledge about the role that institutional factors play in EM NVs internationalization. Specifically, we offer extensive explanation about how normative, regulative and cognitive institutional factors are associated with both the degree and scope of EM NVs internationalization. Second, we reveal important inconsistencies with previous studies about the role of entrepreneur, firm and industry related factors and explain the rationales behind them in the light of institutional approach. This is of value for further development of the international entrepreneurship field where studies combining entrepreneur and institutional perspectives are scarce (Jones, Coviello, and Tang 2011). Third, the empirical value of this research stems from the fact that it enhances knowledge about NVs internationalizing from Russia that have been studied to a significantly less extent than firms from other EM (Jormanainen and Koveshnikov 2012; Shirokova and McDougall-Covin 2012) and, therefore, enriches the contextual scope of international entrepreneurship field.

DEGREE AND SCOPE OF NEW VENTURE INTERNATIONALIZATION

The outcomes of the internationalization have been measured in terms of firms' export performance and various patterns of internationalization, such as speed, extent, scope and intensity of internationalization (Keupp and Gassmann 2009). However, the latter ones, i.e., extent, scope and degree provide more realistic picture about the nature of international expansion (Zahra and George 2002). There are a number of conceptual papers about the factors associated with the degree and scope of internationalization in the context of EM (e.g., Yamakawa, Peng, and Deeds 2008). However,

empirical research addressing the specific features of the EM is limited. In this context it is particularly important to assess the assumptions through empirical lenses as the institutional environment has a high degree of unpredictability, change and complexity (Peng, Wang, and Jiang 2008). As pointed out in recent reviews, the contextualization of international entrepreneurship topics is highly important in order to be able to address the distinctiveness of the context and to make a contribution to the field of international entrepreneurship (Kiss, Danis, and Cavusgil 2012).

In this article we understand degree and scope determinants of NV internationalization as being associated with the extent and diversification of international expansion, which are often measured by the percentage of foreign sales and the number of foreign markets where the firm operates (e.g., Sullivan 1994; Loncan and Nique 2010). We focus our theoretical development around four groups of factors that are strongly associated with degree and scope of internationalization. These are factors related to entrepreneur, firm, industry and institutional environment. We argue that combining the entrepreneur- and firm-related factors with the industry and institutional perspectives enables us to develop a comprehensive understanding of the forces associated with the degree and scope of internationalization in EM and to examine whether they matter equally for the degree and scope of international expansion.

THEORY AND HYPOTHESES

Entrepreneur- and Firm- Related Factors

The entrepreneur plays a central role in the development and performance of NVs (Cressy 2006). However, the entrepreneur-based perspective is not yet well integrated in international entrepreneurship field (Jones, Coviello, and Tang 2011; Verbeke, Zargarzadeh, and Osiyevskyy 2014) and there are only few studies that incorporate simultaneously entrepreneur and firm related factors into examination of NVs international expansion (Keupp and Gassmann 2009). Thus we focus our analysis on understanding how international experience of entrepreneur, his/her social networks and product innovativeness are associated with the degree and scope of international expansion of EM NVs.

International Experience of Entrepreneur

It has been well established that personal characteristics and behavior of entrepreneurs play a big part in the NV internationalization (Ghannad and Andersson 2012). One of the most important characteristics that facilitate the internationalization process is the entrepreneur's international experience. This is because it has been proven to enhance the identification of

new opportunities, acquisition of international market knowledge, and exposure to foreign environments (Kuemmerle 2002; McDougall, Oviatt, and Shrader 2003). Entrepreneurs who are familiar with foreign markets have more positive vision of internationalization and consider it as an opportunity for growth and development of the firm (Bloodgood, Sapienza, and Almeida 1996).

Entrepreneurial international experience is particularly important in EM because it represents a source of information about advanced management and business practices, new market opportunities, and latest technologies which are yet missing in many of EM. According to Filatotchev and others (2009) entrepreneurs from EM who have been able to acquire knowledge and skills during their education or work in the West are more positively predisposed to doing business in foreign markets and more likely to initiate international expansion. Moreover, in EM, where foreign firms are perceived as advanced innovators, international experience has a positive impact on the innovativeness and proactiveness of entrepreneurs that leads to a higher level of NV competitiveness required for international expansion to both developed and developing countries. Furthermore, EM NVs often face more risks in international markets than NVs from developed markets due to the liability of origin (Pant and Ramachandran 2012) and liability of foreignness (Panibratov 2015). For this reason entrepreneurs who have more international experience are more likely to be able to cope with the risk of international expansion. Thus, we suggest that:

Hypothesis 1. International experience of the entrepreneur is positively associated with the degree and scope of NV internationalization from EM.

International Social Network of Entrepreneur

The social network perspective emphasizes the importance of resources embedded in the entrepreneurs' personal networks and shows that they have a direct impact on internationalization of NVs (e.g., Ellis 2000). Networks help the entrepreneurs to identify opportunities, access to various types of resources, and mitigate the risks of international expansion (Zhou, Wu, and Luo 2007; Jones, Coviello, and Tang 2011). In an EM social networks have been found to be a particularly important mechanism for doing business and as a tool to deal with institutional deficiencies (Ledeneva 2006). Faced with the unique challenges rooted in weak institutional environments, frequent changes in the legal system and the presence of a significant grey economy, NVs in EM often rely on personal relationships to survive and grow (Batjargal 2003). Danis and others (2011) emphasize that in EM social networks are more important for new business activity than in developed

economies, and the higher the institutional burdens in these countries, the stronger the relationship.

Furthermore, networks are also crucial for EM NV international expansion for number of reasons. First, personal and business ties of EM entrepreneurs allow for acquisition of knowledge about foreign markets that they often lack due to relatively recent exposure to international business. Second, networks represent an excellent way to gain trust and reputation in overseas markets, one of the greatest challenges for NVs (Eberhard and Craig 2013). They have to compete with established firms who already have recognition of customers and business partners and it is essential for NVs to gain a good reputation in the very beginning of international expansion. For EM NVs this is even greater challenge because they often need to overcome negative image and lack of trust associated with their origin (Pant and Ramachandran 2012). Third, under the condition of scarce availability of necessary skills for international expansion and relevant real-time information necessary to make such a strategic decisions, international personal ties may decrease the risk associated with early internationalization of EM firms (Musteen, Francis, and Datta 2010). Firms with wide social networks of entrepreneurs, including international ones, are more likely to have access to the information needed for entrepreneurial behavior and internationalization (Yiu and Lau 2008). Finally, Kiss and Danis (2010) argue that social ties have a positive influence on the speed of internationalization and their use depends on the stage of transition of EM.

However, despite the fact that the majority of studies find social network highly beneficial for NV internationalization, there are also studies where authors could not prove this positive link in both developed and EM (Chetty and Campbell-Hunt 2003; Tang 2011; Shirokova and McDougall-Covin 2012). Other studies point out that networks might restrict the pursuit of other opportunities (Coviello 2006) and that they may increase the time and costs of expansion (e.g., Yli-Renko, Autio, and Tontti 2002). Also, specific characteristics of empirical context may be a reason for lack of clear connection between networks and international expansion (Shirokova and McDougall-Covin 2012). Indeed, the evidence about influence of various networks is still inconclusive and we agree with Musteen, Francis, and Datta (2010) that more empirical work is needed. Thus, we incorporate network perspective into our analysis and assume, in accordance with the dominant view, that entrepreneur's social network will have a positive relationship with the degree and scope of EM NV internationalization. We formulate hypothesis 2 as follows:

Hypothesis 2. International social network of entrepreneur is positively associated with the degree and scope of NV internationalization from EM.

Product Innovativeness

It has been broadly discussed in the entrepreneurship literature (e.g., see Rauch, Wiklund, Lumpkin, and Frese 2009 for meta-analysis) that characteristics of entrepreneurs and their entrepreneurial orientation (EO), including innovativeness, proactiveness and risk-taking, affect the NV performance outcomes (Ripollés-Meliá, Menguzzato-Boulard, and Sánchez-Peinado 2007). They are also directly linked to another key determinant of the performance that is innovativeness of the existing products and ability to quickly develop new ones (Kyläheiko, Jantunen, Puumalainen, Saarenketo, and Tuuppara 2011). A comparative analysis shows that international NVs differ from domestic firms in terms of adopting a more aggressive and competitive strategy based on differentiation by means of product innovation, quality, and marketing (McDougall, Oviatt, and Shrader 2003). Investment in innovation is costly, risky, and path-dependent (Fu, Pietrobelli, and Soete 2011), and is especially challenging in EM where the institutional environment is volatile (Back, Parboteeah, and Nam 2014; Wales, Shirokova, Sokolova, and Stein 2015). Innovation is influenced by various institutional regulations such as property rights or industry standards (Li and Atuahene-Gima 2001; Tang and Hull 2012). In other words, NVs in EM might hesitate to invest in innovation activities because markets for advanced innovative products is highly uncertain and lacks institutional support. Thus, some innovation-oriented EM NVs tend to seek more favorable institutional conditions through expansion to foreign markets. Others are trying to rapidly increase their focus on innovation as a prerequisite for a successful internationalization and global competitiveness (Kumar, Mudambi, and Gray 2013). For example, Naude and Rossouw (2010) find that EM exporters spend more on R&D and bring out more new products than non-exporters. Hence, we suggest that the level of product innovativeness is an important determinant associated with the degree and scope of NV internationalization from EM.

Hypothesis 3. Product innovativeness is positively associated with the degree and scope of NV internationalization from EM.

Industry-Related Factors

The importance of industry characteristics on internationalization has already been noted in one of the first articles on international NVs (McDougall 1989). However, the role of industry-related factors has the least prominent position in studies of NV internationalization and this perspective has collected contradicting results (Jones, Coviello, and Tang 2011). We aim to address this limitation by including in our analysis one of the most important industry

characteristic argued to be involved in internationalization of NVs which is the industry technological intensity.

Industry Technological Intensity

The choice of industry sector is critical, as it determines the external environmental forces that act upon the firm and to which the firm must adapt and respond with appropriate organizational strategies (Mueller, Titus, Covin, and Slevin 2012). Certain environments are more advantageous than others to entrepreneurial behaviors (Engelen, Schmidt, and Buchstreiner 2015). In environments that are characterized by rapid change and short product life cycles, future cash flows from existing operations are rife with uncertainty and organizations may need to constantly seek out new opportunities in order to survive (Rauch, Wiklund, Lumpkin, and Frese 2009). It has been argued that high-tech and knowledge intensive industries are the main area for growth of NVs (Preece, Miles, and Baetz 1999; Zahra, Ireland, and Hitt 2000), and the link between technological intensity and rapid internationalization has been discussed in EM literature (Yamakawa, Peng, and Deeds 2008). For example, it has been shown that early internationalization is more likely to occur among high-technology firms (Filatotchev, Liu, Buck, and Wright 2009).

The high speed of change of technological sophistication increases the dynamism and heterogeneity for the firms operating in the industry (Mohr, Sengupta, and Slater 2010). To develop competitive advantages in such context the firms should be innovative, proactive and willing to take risks (Tang and Hull 2012). This is particularly important for EM firms which often face strategic issues related not just to the development of new product and markets but also to the transformation of current organizational structure and management system (Yiu and Lau 2008). The state of industry technological development significantly influences the strategic behavior of its players. In EM, industries develop unevenly and are at different life cycle stages which could have a profound negative influence for the possibilities to operate on domestic market (Narula and Jormanainen 2008). Thus, EM NVs that operate in high-tech industries strive for expansion to foreign markets which offer a higher degree of stability and supportive mechanisms. Therefore, we propose the following hypothesis:

Hypothesis 4. The level of industry technological intensity is positively associated with the degree and scope of NV internationalization from EM.

Institution-Related Factors

Institutions represent a powerful force affecting the firms' operations at many different levels (DiMaggio and Powell 1983; North 1990; Scott 1995).

A growing body of academic research documents how entrepreneurial activity is influenced by institutional context and how entrepreneurs' strategies reflect the opportunities and limitations defined by institutions (Aidis, Estrin, and Mickiewicz 2008; Estrin, Korosteleva, and Mickiewicz 2013). The institutional forces have distinctive features in EM context and thus require more scholarly attention (Hoskisson, Eden, Lau, and Wright 2000; Tracey and Phillips 2011).

In this study we adopt Scott's (1995) categorization of institutions that distinguishes regulative, normative and cultural-cognitive institutional dimensions or pillars. In the following section, we discuss these dimensions in the context of NV internationalization from EM and suggest research hypotheses related to each pillar.

Regulative Pillar – Favorability of Domestic Regulative Institutions

The regulative dimension of institutional environment includes laws, rules and state policy that support or restrict new businesses; decrease or increase risks for firms and facilitate or hamper the access to resources (Busenitz, Gomez, and Spencer 2000). In EM the influence of regulative factors is highly complex. On the one hand, there are many regulative factors that impede the development of NVs such as bureaucratic procedures, poorly developed business regulations and finance infrastructure, excessive administrative control and corruption in state bodies, and unfavorable tax policies (Meyer and Peng 2005). Scholars often describe the regulative business environment in EM as extremely hostile for entrepreneurial activity (Puffer and McCarthy 2001). Moreover, there are also some governmental restrictions and other regulative barriers for the international expansion (Arbaugh, Camp, and Cox 2008; Shirokova and Tsukanova 2013).

On the other hand, there are various state programs such as tax administration, consulting and informational services from government agencies that provide assistance for NV operations. Yet, according to the Global Entrepreneurship Monitor, state programs designed to support new and developing firms are ineffective in many of EM (Kelley, Bosma, and Amoros 2011). There is a high level of bureaucracy that undermines the implementation of these initiatives. For instance, in some EM it can take several months to receive licensing and certification for starting export operations that can diminish the degree and scope of NV internationalization (Buzina and Rastvortseva 2010). The rating of Doing Business survey (World Bank 2014) reveals that regardless of recent improvements in many EM, the processes associated with starting business, trading across borders and obtaining various permits are not yet organized in an efficient manner. These obstacles force NVs to seek opportunities in other countries where they can benefit from more favorable regulative institutional context. At the same time, EM NVs develop capabilities to deal with institutional inefficiencies that can

motivate their expansion to other EM (Cuervo-Cazurra and Genc 2008). Based upon these arguments, we hypothesize that:

Hypothesis 5. Less favorable regulative institutional environment on the domestic market is positively associated with the degree and scope of NV internationalization from EM.

Normative Pillar – Existence of Norms for International Expansion

The normative dimension of institutions imposes constraints on social behavior of firms through values and social norms (Scott 1995). Normative institutions are less formal and typically are manifested in standards and commercial conventions such as those established by professional and industry associations and business groups (Manolova, Eunni, and Gyoshev 2008). In our study, it accounts for the existence of widely used and accepted practices for NV internationalization. Often young firms such as NVs are under pressure to imitate successful internationalization practices of established firms (Lu 2002; Yiu and Makino 2002). Imitating the established practices could be a desirable option for NVs to gain legitimacy among the industry players (Yamakawa, Peng, and Deeds 2008) and a number of previous studies have provided evidence that firms imitate the strategies of pioneering firms that have undertaken successful international expansion (Fernhaber and Li 2010). In EM firms are even more sensitive to the institutional isomorphic pressure and the pressures of industry's norms than their counterparts in developed countries (Li and Ding 2013). There is some evidence that the lack of formal market-based institutions in EM can increase the role of informal norms in firm operations and performance (e.g., Mair, Marti, and Ventresca 2012). Informal norms serve as substitutes for industry standards in EM by providing information about appropriate firm behavior and facilitating transactions (Peng 2003). Thus, we could assume that NVs in industries with high levels of international exposure would be more likely to internationalize in order to obtain legitimacy and will choose the strategies that are employed by successfully internationalized firms. This leads us to our next hypothesis:

Hypothesis 6. The existence of norms for international expansion in the industry is positively associated with the degree and scope of NV internationalization from EM.

Cognitive Pillar – Global Orientation of Entrepreneurs

The cultural-cognitive dimension of institutions focuses on the shared conceptions that constitute the nature of social reality and the frames through which individuals (e.g., entrepreneurs) interpret information (Stenholm, Acs, and Wuebker 2013; Urbano and Alvarez 2014). It deals with the cognitive structures and social knowledge shared by the people within a nation. Regarding NV

internationalization, the cognitive pillar reflects personal knowledge, skills, and mental models shared by entrepreneurs, which enables or hampers internationalization. From the very first studies devoted to NVs, it was noted that firms led by entrepreneurs with global mindset (initially oriented on global market) internationalize faster and more successfully than those led by domestically oriented founders (Oviatt and McDougall 1995). Also, it has been discussed that international growth orientation represents an important factor for successful international expansion (Preece, Miles, and Baetz 1999; Nummela, Saarenketo, and Puumalainen 2004). Global mindset is an important type of cognitive capabilities required for creating an NV as a “global factory” that involves a differentiated network of activities (Eriksson, Nummela, and Saarenketo 2014) that play a substantial role in the expansion of international operations.

The presence of a global mindset is particularly salient for EM NVs whose home countries were isolated for many decades from international business community in the recent past. Currently EM NVs are operating in highly uncertain institutional environments and low level of entrepreneurial development and institutionalization (Kiss, Danis, and Cavusgil 2012) that pose severe challenges for domestic growth. In these circumstances, we suggest that entrepreneurs are more likely to adopt global vision as response to these challenges and to develop new strategic approaches toward international expansion. Thus, we formulate the following hypothesis:

Hypothesis 7. Global orientation of entrepreneurs is positively associated with the degree and scope of NV internationalization from EM.

The discussed above arguments have been integrated into theoretical framework of the study illustrated in Figure 1.

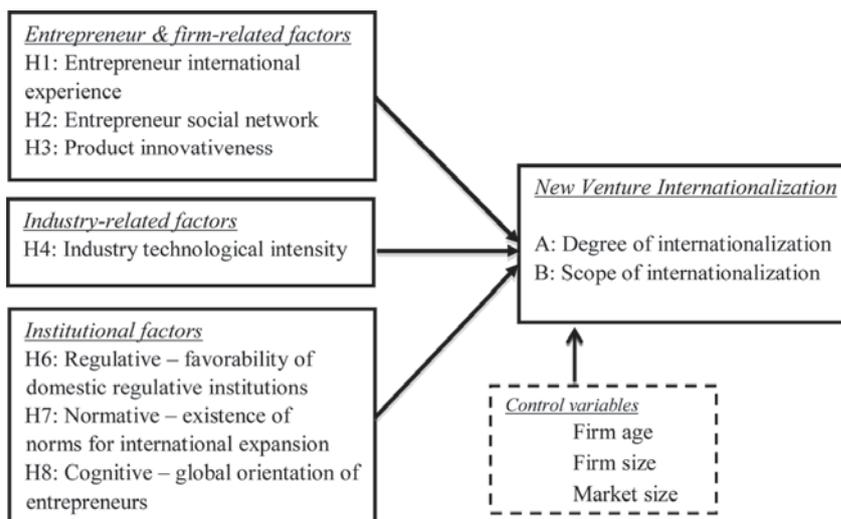


FIGURE 1 Theoretical model.

METHODOLOGY

Research Design

In this study we followed a two-stage empirical research that consisted of quantitative survey of Russian NVs and qualitative interviews with NV owners. We started with the implementation of a critical review of studies on NV internationalization and analyzed the role of entrepreneur, firm, industry and institutional factors. This analysis resulted in the development of a set of hypotheses and a theoretical framework illustrating the relationships of these groups of factors with the degree and scope of NV internationalization (See Figure 1). Second, we have conducted a survey of NVs from Russia to test developed hypotheses. Finally, as the survey results were in contradiction with our expectation, we have arranged personal interviews with owners of NVs in order to get deeper insights on survey findings.

Survey Data Collection and Sample

The survey was designed to collect the responses from internationally-operating Russian NVs. We understand international NVs as firms that internationalized during their first 6 years of existence (McDougall, Oviatt, and Shrader 2003). Their population is not defined by public sources and existing databases do not usually contain information about firms' foreign operations. Thus, while probability sampling was not achievable for this subset of firms, we performed opportunity (convenience) sampling that still was a rather challenging task. The first round of data collection was done by means of e-mail survey in the summer of 2011 which was followed by the further sample accumulation finished by the end of 2012. During the first round we were able to obtain 40 usable questionnaires. At this point, we utilized personal networks and snowball sampling when respondents named other entrepreneurs who can be qualified for our research. In some cases, telephone interviews and company visits were arranged. In total, from about 600 firms contacted we got 120 questionnaires back, from which 75 firms we qualified for our analysis. Exceptions were made because some firms did not become international while still being NV, i.e., younger than six years old from establishment and did not comply with the definition of international NV used in this study (McDougall, Oviatt, and Shrader 2003). It is worth noting that although the sample size is relatively small, it is one of the largest primary datasets on NV internationalization in Russian context.

Sampled companies were founded between 1991 and 2012 with an average age of 8 years and with operations in 10 countries. On average the degree of internationalization accounts for 32% (share of export in total sales). The portrait of a typical founder refers to a 31-years old man with

higher education and 9 years of work experience. One-third of all entrepreneurs had prior international experience and half of the entrepreneurs had personal contacts abroad prior to internationalization. The majority of our respondents think that the size of Russian market is sufficient for success of their firms (83%), but foreign market expansion is still a common practice in their industry (57%). Entrepreneurs were initially oriented toward global markets in 67% of cases. With regard to the favorability of domestic institutional environment, respondents have different opinions with a slight dominance of negative estimates.

Survey Measures

DEPENDENT VARIABLES

The degree of internationalization was operationalized using international sales as a percent of total sales (Sullivan 1994; Khavul, Perez-Nordtverdt, and Wood 2010; Loncan and Nique 2010). The scope of internationalization was measured by the number of countries where the company operates, excluding Russia (Lin 2012). The information about dependent variables was taken from the survey and controlled by secondary data where available. In order to add exogenous factors to the dataset, additional information regarding the surveyed companies was manually extracted from official SPARK-Interfax database. We believe that these two dimensions of internationalization allow us to grasp both the importance of exports in overall sales and the diversification of operations in foreign markets at the same time (Sullivan 1994; Loncan and Nique 2010; Torkkeli, Puumalainen, Saarenketo, and Kuivalainen 2012). The model for the degree of internationalization was specified as a Tobit regression, while the scope of internationalization was modeled as a negative binomial regression. These choices were due to the nature of the regress and values being bounded between 0 and 100% for the degree of internationalization and being positive and counting numbers for the scope of internationalization (Wooldridge 2002). While modeling count data, one could use a Poisson regression, negative binomial, or their variations. Based on log-likelihood ratio we found clear signs of over dispersion and went for negative binomial regression, which is preferable in this case (Cameron and Trivedi 1998; Agresti 2002; Hilbe 2007). Measurements of all variables we used in our study are shown in table 1.

INDEPENDENT VARIABLES

Independent variables are divided into three groups, namely: entrepreneur, firm, industry and institutional, and comprised of seven variables, which are present in Table 2.

Most of the independent variables were measured by standard 5-point Likert-scale; others are dichotomous and three-point variables. According

TABLE 1 Measurements and Operationalization of Variables in the Questionnaire

Variable	Main source of data	Questions	Value
Degree of internationalization	Questionnaire	What is the share of your foreign sales in total sales?	0 to 100%
Scope of internationalization	Questionnaire	In how many countries except Russia does your company operate?	Positive count number (1,2, ...)
International experience	Questionnaire	Did entrepreneurs have experience of studying abroad prior to foreign market entry?	0. no 1. either studying or working
		Did entrepreneurs have experience of working abroad prior to foreign market entry?	2. both
International social network	Questionnaire	Did entrepreneurs have personal (friends, relatives) contacts abroad prior to foreign market entry?	0. no 1. either personal or business
		Did entrepreneurs have business contacts abroad prior to foreign market entry?	2. both
Industry technological intensity	Expert opinion*; SPARK-Interfax	Would you characterize the industry where a firm operates as technologically intense?	0. no 1. yes
Product innovativeness	Questionnaire	Our product characteristics are innovative (hard to copy, do not have analogs)	1. Strongly disagree 2. Disagree
Favorability of domestic regulatory environment	Questionnaire	External environment (level of institutions and legal base development) on the domestic market is favorable for our business	3. Neither agree nor disagree 4. Agree 5. Strongly agree
The existence of norms for international expansion	Questionnaire	Foreign market expansion is a common practice in our industry	
Presence of global orientation of entrepreneurs	Questionnaire	Entrepreneurs were initially oriented towards global markets	
Size of domestic market	Questionnaire	Domestic market size is sufficient for success in our business	
Firm age	Questionnaire; SPARK-Interfax	When was your firm established?	Number of years from the firm's establishment
Firm size	Questionnaire; SPARK-Interfax	What is the current number of employees in your firm?	Natural log of the number of employees

*Based on the shared opinion of three researchers and three business representatives.

to variance inflation factors (VIFs), there are no signs of multicollinearity between the variables. One can criticize our research for relying on single-item subjective measures, and we acknowledged this as being our limitation. However, we believe that under certain circumstances single-item scales can demonstrate equally high predictive validity as multiple-item scales (Bergkvist and Rossiter 2007, 2009; Fuchs and Diamantopoulos 2009). When a construct is concrete, one-dimensional and unambiguous to the respondent, using a single-item scale is the best measurement option (Bergkvist and Rossiter 2009). In our study, we wanted to grasp the perception of a decision-maker upon internationalization, rather than comprehensively estimate exact values for certain theoretical constructs. Thus, we decided to go for shorter option with single items given the advantages of higher response rate and parsimony (Rogelberg and Stanton 2007).

CONTROL VARIABLES

This study also included controls for several variables that might affect the hypothesized relationships, including *firm age*, *firm size*, and *market size*. Age of NVs may influence the extent of international activities (Brush and Vanderwerf 1992) as well the profitability of foreign operations. Likewise, the size of NV can have a positive relationship with the degree and scope of internationalization because a large workforce is a proxy for firms' past success and efficiency, and, moreover, a higher number of employees implies the greater accumulation of knowledge and experience in the firm. In the previous studies, it was shown that firm size is positively correlated with international operations. Internationalization can be viewed as an expansion pattern initiated at a certain lifecycle stage of the firm's development. We measured firm size as a natural logarithm of a total number of employees (Autio, Sapienza, and Almeida 2000). The last variable in this group was included to control for demand-side effect related to the size of domestic market. Firms have to rely increasingly on foreign markets in case of insufficient demand from their domestic markets, and vice versa. If the size of domestic market is small, there is a pressure to look for other markets to access a larger customer base (Fernhaber, McDougall, and Oviatt 2007).

Qualitative Study

The interviews were conducted at the final stage of the research after quantitative analysis of survey data. Six interviews were conducted with entrepreneurs-owners of NVs from Russia. During interviews, we discussed rationales behind the survey results and asked for illustrative examples for a better understanding. Hence, the interview data allowed for a more informed interpretation of results and their contextualization that have not

TABLE 2 Descriptive Statistics, Correlations, and Variance Inflation Factors

	#	Independent variable	Mean	S.D.	1	2	3	4	5	6	7	VIF
Entrepreneur & firm-related factors	1	International experience	0.67	0.7	1							1.41
	2	International social network	0.88	0.8	0.24*	1						1.14
	3	Product innovativeness	2.77	1.23	0.38*	0.1	1					1.27
Industry-related factors	4	Industry technological intensity	0.57	0.5	0.12	0.03	0.26*	1				1.51
	5	Favorability of domestic regulative institutions	2.73	1.15	-0.04	-0.11	0.02	-0.06	1			1.1
Institutional factors	6	Existence of norms for international expansion	3.17	1.44	-0.11	0.15	0.05	0.39*	0.11	1		1.67
	7	Global orientation of entrepreneurs	3.25	1.45	0.11	0.15	0.18	0.45*	-0.19	0.54*	1	1.7

N=75 for all items; *Significant at $p < .05$.

been sufficiently done in international entrepreneurship field (Bruton, Ahlstrom, and Obloj 2008).

The empirical base of our qualitative part of research includes six cases of Russian entrepreneurial firms that have internationalized during first six years of their existence. All firms selected for research were established and fully owned by Russian entrepreneurs and are registered in Saint-Petersburg. The companies operate in highly diverse industries, including service and manufacturing industries, both low and high tech: IT, electronics, confectionary, and car filters production, but they have similar age, size and international operations.

DATA COLLECTION AND ANALYSIS

Data were collected through personal interviews with companies' owners according to procedures established in prior research (Wright, Lane, and Beamish 1988; Eisenhardt 1989; Yin 2003). The companies' owners were the primary source of information about the company and internationalization process because of their involvement in the process of evolution and development of the firm.

The data collection was conducted in the period of January to May 2013, and included focused interviews that were conducted by a team of researchers that included two of the co-authors of this article. These interviews were devoted specifically to the internationalization process of the companies. They were in-depth and ranged from one to three hours. We used the approach "what, who, where, when, and how" as was recommended by Pettigrew, Woodman, and Cameron (2001). All interviews were taped and transcribed. The transcripts were used for analysis and comparative examination of each case. The results were analyzed on the basis of labeling, categorization, and summarizing. Data analysis was performed with the help of the conventional grounded theory approach that permits consequent comparison of the available data with an emerging theoretical framework (Fendt and Sachs 2007).

SURVEY RESULTS

We have summarized the results of our statistical analysis of collected data during survey part of our empirical research in Table 3.

Models 1–3 in Table 3 explain the influence of independent variables on the degree of NV internationalization, while Models 4–6 refer to the scope of internationalization. First, we may see that all models are statistically significant ($\text{Prob} > \chi^2 = 0.0000$). The figures indicate significant coefficients of regressors for Models 1–3 and significant coefficients in terms of incidence rate ratios (IRR) for Models 4–6. The results indicate that social networks

TABLE 3 Results of Regression Analysis

Variables	Degree of Internationalization (Tobit regression)			Scope of internationalization (Negative binomial regression)		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Entrepreneur & firm-related factors						
H1: International experience	-0.72		1.93	0.604 [†]		0.971
H2: International social network	13.81***		9.23**	1.17		0.819
H3: Product innovativeness	1.57		2.09	0.992		1.102
Industry-related factors						
H4: Industry technological intensity	22.64***		5.28	2.91*		0.88
Institutional factors						
H5: Favorability of domestic regulative institutions		-5.67 [†]	-3.91 [†]		1.005	0.898
H6: Existence of norms for international expansion		9.01***	8.25***		1.397*	1.359*
H7: Global orientation of entrepreneurs		8.42***	5.45**		1.99***	1.789***
Control variables						
Firm age	3.03**	1.27*	1.53**	1.101 [†]	1.098*	1.081*
Firm size	-8.47**	-2.34	-4.92*	0.873	1.143	1.097
Size of domestic market	-12.32***		-9.60***	0.613***		0.661***
LR chi2	50.86	56.59	88.1	32.49	55.58	69.35
Log likelihood	-321.52	-318.66	-302.9	-195.51	-183.96	-177.08
Prob >chi2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Pseudo R2	0.0733	0.0816	0.127	0.0767	0.1312	0.1638

$N=75$ for all items; [†] $p < .1$; * $p < .05$; ** $p < .01$; *** $p < .001$.

(H2) are significantly ($p < .01$) and positively associated only with the degree of internationalization. Further, level of norms for international expansion (H6) and presence of global orientation of entrepreneurs (H7) have significant association with both the degree and scope of internationalization. That was in line with our expectations and the existing literature on NV internationalization.

However, our findings show no support for relationships of such factors as international experience (H1), product innovativeness (H3), and industry technological intensity (H4) with both the degree and scope of NV internationalization. These findings illustrate interesting contradictions with results of other studies and indicate that there are more potential explanations behind the links between international experience, product innovativeness, industry technological intensity and the scope and degree of NV internationalization. The association between regulative institutions (H5) and internationalization is only marginally significant in relation to the degree of internationalization.

While trying to interpret the power of association between independent variables and the scope of internationalization in terms of IRR, we should be cautious as the scale we used is not continuous and symmetric. However, we could interpret the direction of relationships as being positive where IRR exceeds 1 and negative where IRR is below 1. For instance, we might infer that companies with higher values of global orientation tend to have higher values of scope of internationalization, which is explained by IRR being 1.789. Moreover, we could compare the magnitude of association for independent variables measured in the same scales (Cameron and Trivedi 1998; Agresti 2002; Hilbe 2007). For example, we could say that the associations with the scope of internationalization are stronger for the presence of global orientation of entrepreneurs than for the existence of norms for international expansion, as 1.789 is higher than 1.359.

A control variable, firm age is positively related to both measures of internationalization, confirming our assumption that older firms have higher degree and scope of NV internationalization. Another control variable, firm size is negatively associated with the degree of internationalization, showing that NV with fewer employees has a greater share of export in total sales. This result could be explained by the fact that sampled firms significantly differ in their business models. For example, we have a number of NVs in our sample with just a few employees and a large proportion of foreign sales. These companies do not need to have many employees to serve international markets due to their business model. Other NVs have a large workforce and physical assets for operations in domestic and foreign markets and their output is heavily dependent on the number of employees involved. If these NVs aim to increase foreign sales, their business models imply increase in foreign commitment in terms of international workforce.

The last control variable, size of domestic market, has a strong negative association with both the degree and scope of internationalization, thus showing that this demand-side market factor is extremely important to control for. The results support our assumption that firms have to rely increasingly on foreign markets in case of lacking demand from its domestic market, and vice versa. Significance for the scope of internationalization could be explained as follows: if the size of domestic market is insufficient, then foreign markets can create sufficient demand if served simultaneously. Viewed in a Russian context these results have particularly interesting implications since the absolute size of domestic market is large and seemingly, NVs should have no incentive to expand abroad. Therefore it is important to emphasize that it is not an absolute size of the market that affects the decision to internationalize, but rather the demand and growth potential of a particular sector. Even in large markets such as Russia, some sectors might have less potential for growth compared to markets that may be of a smaller absolute size. Interestingly, this argument applies when firms use niche strategies, and this type of behavior has also been employed

by NVs from developed countries (e.g., McDougall, Oviatt, and Shrader 2003).

DISCUSSION AND *POST HOC* ANALYSIS

In this section, we discuss our findings in light of previous research and suggest some implications for theory development. While some of our conclusions are in line with the results of previous studies, there are interesting observations that contradict existing knowledge about the NV internationalization. Next we discuss the expected findings and then we focus on revealed inconsistencies. In order to explore these unexpected findings, we carried out *post hoc* analysis based on the qualitative data following recommendations provided by Wright (2014).

Expected Findings and Their Implications for the Theory

A very important conclusion of our study is that the institutional factors have the strongest association with degree and scope of NV internationalization as compared to entrepreneur, firm, and industry factors. The importance stems from the fact that even though there is a growing number of studies arguing for the significance of institutional perspective in EM (e.g., Peng, Wang, and Jiang 2008; Gaur, Kumar, and Singh 2014), we clearly illustrate that institutions represent a dominating force for NV internationalization outcomes. The other interesting aspect of our findings in terms of institutional related factors is that unfavorable regulative factors have a positive relationship only with the degree, and not with the scope, of internationalization, while normative and cognitive factors are important for both the degree and scope of Russian NV internationalization. The differences in relationships between specific types of institutional factors and *scope* and *degree* on NV internationalization have not yet been understood and thus, we elaborate on these differences using the qualitative evidence.

We start with an explanation of the relationships between regulative factors and the *degree* of NV internationalization. Regulative factors are referred to in EM context as “institutional voids” (Khanna and Palepu 1997) that create a need for local firms to escape negative impact of local institutional environment through international expansion. Our empirical findings confirm this view and show that for internationalizing Russian NVs, the worse the perception of the home country environment, the higher the degree of internationalization. In other words, this observation supports an argument that institutions might represent a negative “push” to local firms that begin to view international operations as a better alternative to domestic growth (Jormanainen and Koveshnikov 2012; Mihailova and Panibratov 2012). However, our research also indicates the absence of relationship between

regulative factors and the *scope* of Russian NV internationalization. Our explanation for this is that more negative perception of domestic regulative institutions by NVs will motivate them to expand to countries with more favorable institutional condition, but this negative push from domestic market could be offset by regulative burdens of establishing entry to each individual market. Whereas Russia, in line with other EM, has one of the lowest scores (155 in the ranking of 189 economies) on ease of trading across borders (World Bank 2014), under such unfavorable conditions it is easier to routinely intensify the presence in a limited number of markets abroad (degree of internationalization) than to explore how to overcome the regulative burden while trying to enter an additional foreign market (scope of internationalization).

The second type of institutional pressures in our study is normative factors, defined by existence of norms for international expansion and internationalization. We find a strong positive relationship between these factors and degree and scope of NV internationalization. This finding is in line with the developed country literature suggesting that NVs are trying to copy successful practices used by established firms (Lu 2002; Yiu and Makino 2002). If internationalization is considered to be a norm in the industry, NV would follow this strategy and try to benefit from the transactional advantages which are successfully employed by already internationalized firms (Fernhaber, McDougall, and Oviatt 2007). Moreover, these findings have a specific implication in Russia where exposure to international business is relatively recent and has started only after the initiation of reforms in the 1990s. This supports evidence from other EM (Wang, Hong, Kafouros, and Boateng 2012) where international expansion of local firms is viewed as a strategic tool to enhance a firm and a country image, and for this reason, gets promoted by local governments. The importance of foreign elements in many EM is also reflected in a high appreciation of Western knowledge, technologies and expertise. Michailova and Jormanainen (2011) show that Western companies are perceived by Russians to be superior; and Russian firms that operate in foreign countries have a better reputation and respect at home. Similarly, other studies have found that international expansion has become a very important channel for firms in EM to acquire legitimacy at home (Gaur and Kumar 2010).

The last group of institutional factors analyzed in our study is cognitive pressures and we confirmed relationships between global orientation of entrepreneurial teams and degree and scope of NV internationalization, which is consistent with previous results from developed countries (Preece, Miles, and Baetz 1999; Ibeh and Young 2001). Our findings indicate that similarly to those from developed countries, EM NVs with a global orientation do not restrict the scope of internationalization to a limited number of neighboring countries, but rather cover a worldwide arena and aim to enhance the extent of international operations.

Inconsistencies in Findings and Their Implications for the Theory

This study reveals several interesting inconsistencies worthy of further explanation associated with entrepreneur, firm and industry related factors. In the following section we shed light on these inconsistencies by formulating four puzzles and outlining implications for the theory.

PUZZLE 1: INTERNATIONAL EXPERIENCES OF ENTREPRENEUR

The first unexpected result of our study was the lack of relationship between international experience of NV's entrepreneurs and both the degree and scope of international expansion. This finding contradicts strongly studies from developed countries (Bloodgood, Sapienza, and Almeida 1996; Reuber and Fischer 1997; McDougall, Oviatt, and Shrader 2003) as well as from EM (Filatotchev, Liu, Buck, and Wright 2009; Liu, Lu, Filatotchev, Buck, and Wright 2010). Indeed, there is an agreement that EM entrepreneurs with international education and work experience are more capable of initiating successful internationalization of their ventures. Thus, our findings require some elaboration and we have sought additional insights from personal interviews. These interviews revealed that international experience may provide an entrepreneur with more realistic perceptions of and expectations from foreign business environments that are often more hostile than one without such an experience can imagine. Having a "negative" view of a foreign business environment, an entrepreneur could make a conscious decision against internationalization. For example, home country image can play a negative role in the development of business overseas and push NV back to domestic market. Also, internationally experienced entrepreneurs would rather prefer domestic market if their experiential knowledge and relational capital suggest that opportunities in local market exceed potential benefits from internationalization. Having international experience helps to identify and compare both domestic and international opportunities, but does not drive internationalization as such. In other words, the international experience can clearly illustrate the existence of liability of origin (Pant and Ramachandran 2012). As one of the respondents pointed out:

I have studied abroad and during those years I realized that doing business overseas for Russians is not that easy. There are many prejudices that are often impossible to overcome. Despite the fact that I have learned a lot about business environment, I also learned what it takes to succeed over there.

At the same time, in the absence of international experience, Russian entrepreneurs have cognitive biases involved in decision-making upon internationalization as described by Ucbasaran, Westhead, and Wright (2009). These cognitive biases, in relation to internationalization, such as overconfidence and illusion of control, stem from enactment of irrelevant

or outdated beliefs of prior international experience (Milanov and Maissenhalter 2014). Additionally, the fact that EM NVs might expand abroad only with the intention of strengthening their home base, as suggested by Luo and Tung (2007), can also offer a potential explanation for the insignificant role of entrepreneurial experience in NVs internationalization.

There might be another explanation for the absence of a relationship between entrepreneurial international experience and degree and scope of NV's internationalization originating from home country external environment. Firms can experience strong obstacles for growth in domestic market associated with low levels of development in a specific industrial sector, which pushes them toward international expansion regardless of lack of experience. This has been observed in a number of studies on other EM (Peng and Chen 2011) and conforms to our own conclusions about the institutional factors. We suggest that perceived negative factors of domestic environment can often outbalance other considerations of NVs and become a driver for international expansion.

PUZZLE 2: SOCIAL NETWORKS OF ENTREPRENEUR

The second interesting result from the survey that was not anticipated is associated with entrepreneurs' social networks abroad, which were found to be positively associated only with the degree but *not with the scope* of NV's internationalization. This is an extremely thought-provoking observation, since the role of social and business networks in the internationalization gained a lot of scholarly attention, yet the conclusions were mixed. In order to explain these findings, we sought further empirical evidence from the qualitative part of this study that enables us to offer informed rationales for our results. It appears that entrepreneurs' reliance on social networks for initiation of international expansion is deeply rooted in cultural and historical features in a number of ways. First, the reliance on the networks differs greatly in national and international context. While inside Russia, the rules of "old friends" and "in-circle" are very important, this is not the case when international expansion is in question. This difference is associated with lack of trust of Russian entrepreneurs toward the Russian expatriates, particularly in relation to those who have moved to the Western countries. As it was also discussed by Shirokova and McDougall-Covin (2012), Russian entrepreneurs find it difficult to rely on their remote ties due to the differences in values and expectations toward long-term business relationships. As one of our respondents explained:

I would say that of course good relationships might be helpful, but however, the main aspect is attitudes toward long-term business development between partners. If these are shared, then business prospers even with a new partner, and if not – there is no future. It is much easier to build relationships directly with Europeans rather than with my former classmates who immigrated to the West several years ago.

Second, there is a difference between the use of networks for expansion to former Soviet republics (CIS countries) and other countries. In case of expansion to the CIS countries, the networks are used more frequently because Russian entrepreneurs perceive the environment in these countries as being close to their home, due to the shared cultural and historical past. Third, there is a greater reliance on networks when NVs expand abroad with “culture-specific” products being unique for Russian taste. In this case personal networks of Russian entrepreneurs have a direct value in finding business opportunities (Shirokova and McDougall-Covin 2012).

To summarize, the international expansion to developed countries is driven to a larger extent by strategic market-seeking considerations and establishment of solid business presence in foreign countries that benefits to long-term development rather than by existence of relationships with former friends and colleagues. The internationalization to CIS countries is more reliant on the entrepreneurs’ social ties and also more extensive due to the cultural and geographical proximity. For this reason, the degree of internationalization is more markedly affected by social networks of Russian entrepreneurs than its scope. The important conclusion here is that the use of the social network in Russia has many distinctive attributes that support an argument that IE field is highly context-specific and requires more empirical work in different empirical settings (Kiss, Danis, and Cavusgil 2012). For example, our conclusions deviate from those in China where entrepreneurs prefer to do business with their close friends or members of the same *guanxi* network in both domestic and international operations (Zhou, Wu, and Luo 2007). Thus, while networking activities have been found to be among key explanatory variables in EM, the nature of their influence on the international expansion of NVs varies across different countries.

Also, this conclusion confirms a need for more research to study links between network and institutional perspectives for a better understanding about influence of elements and mechanisms of institutional environment on network practices in internationalization (Jones, Coviello, and Tang 2011).

PUZZLE 3: PRODUCT INNOVATIVENESS

The third interesting outcome is that we do not find a relationship between product innovativeness and the degree and scope of internationalization for Russian NV. This is inconsistent with numerous studies which find that innovative products enhance possibility, speed and performance of internationalization in both developed economies (Bloodgood, Sapienza, and Almeida 1996; McDougall, Oviatt, and Shrader 2003) and EM (Podmetina, Smirnova, Väättänen, and Torkkeli 2009; Tsao and Chen 2012). The discussions during personal interviews enabled us to grasp the rationales behind these findings and we arrived at several explanations. First, the innovativeness of the products is not viewed by NVs as their competitive strength and they prefer to expand to the markets where

they can establish their presence without putting efforts in R&D. For example, CIS countries are often preferred destination for expansion where Russian firms can deliver culturally adopted products and services.

Second, it might be rooted in the fact that the Russian government is focused on the promotion of large FDI projects (EBRD 2012) when NVs lack the government support and resources for the development to foreign markets. Thus, Russian NVs are not able to compete in international business arena with innovative products, but find other competitive strengths. It has been pointed in one of the interviews:

Very often, the success in entering certain foreign markets is attributable to personal relationships and recommendations from foreign partners and these rather sporadic links are successfully exploited in the long run without enhancing the innovativeness and uniqueness of the products.

Third, many NVs adopt client-following strategy when expanding abroad and this eliminates the need for development of innovative products. To conclude, this topic requires further examination and future research should specify how different types of innovative products affect the degree and scope internationalization of NV. Indeed, if in developed market advanced technological products will be considered as innovative, in others, such as EM, innovations can be of different types, such as reverse or frugal innovations (Govindarajan and Ramamurti 2011). Moreover, when analyzing the impact of product innovativeness on NV internationalization, studies can examine separately expansion to EM, developed and developing countries.

PUZZLE 4: INDUSTRY TECHNOLOGICAL INTENSITY

As mentioned in the previous section, the analysis of industry level factors has partly resulted in findings inconsistent with the existing literature. Although we predicted a positive association of degree and scope of NV internationalization with industry technological intensity, this effect did not appear in our study. In other words, we cannot argue that in high-tech industries the degree and scope of NV internationalization is higher than in low-tech markets. This implies that firms in high-tech industries and their low-tech counterparts have similar advantages for internationalization that are not necessarily associated with advancements in technology.

The potential explanation for these results is similar as for the lack of importance of product innovativeness. Russian firms, as many other EM firms, are not competitive in most technology advanced sectors (Peng 2012) and thus, EM NVs in these sectors do not have strong competitive advantage for international expansion. On the contrary, NVs in low-tech

sectors could be more successful overseas due to their other non-technological-based advantages. For example, as one of the respondents explained:

We do not have brands that are oriented toward global consumers; all our brands are Russian based and oriented toward Russian diaspora. It is an illusion that it is easy to create a global brand. It requires millions of dollars. We are not prepared for that now.

This finding could be regarded as an important idiosyncratic feature of EM context. However, there are several industries, such as IT, where the situation might be different. Hence, future studies should specify the type of industry in a particular national context and differentiate between destinations for international expansion.

Interestingly, the significant positive impact of industry technological intensity for both the degree and scope of NV internationalization observed in models 1 and 4 disappears after introducing the group of institutional factors in models 3 and 6. This finding suggests that the impact of industry technological intensity on internationalization is offset by its interaction with institutional factors involved. Accordingly, we may conclude that institutional factors hinder possible international success of Russian NVs when they compete in high-tech industries.

CONCLUSION

The research examines the degree and scope of internationalization of new ventures from emerging market and provides the empirical evidence from the Russian context. We integrated entrepreneur, firm, industry, and institutional perspectives in our empirical analysis which allowed us to achieve a good understanding of factors that are associated with the degree and scope of NV internationalization from EM. There are several theoretical contributions of this study. First, we illustrate that institutional factors are most strongly associated with the degree and scope of EM NV internationalization. Moreover, we discuss why regulative, normative, and cognitive institutional pressures are related differently to degree and scope of internationalization. This deepens the understanding of institutional forces and how they shape firms' strategies in EM (Peng, Wang, and Jiang 2008). Second, we reveal that, contrary to expectations, entrepreneur, firm, and industry related factors such as entrepreneur international experience, social networks, and product and industry innovativeness were not found to have relationships with the degree and scope of Russian NVs' internationalization. We formulate four puzzles to elaborate on rationales behind these inconsistent findings and suggest implications for theoretical development. In other words, we undertake an attempt for *ad hoc* theorizing about why the assumptions in the existing literature do not always hold in all EM contexts that emphasizes the

importance of context specific studies in various EM (Kiss, Danis, and Cavusgil 2012; Hoskisson, Wright, Filatotchev, and Peng 2013). Finally, this study makes an empirical contribution and sheds light on internationalization of Russian NVs.

In addition, this work is of interest for entrepreneurs who intend to participate in international business projects. Entrepreneurs can draw more informed conclusions about the significance of various groups of factors for their NVs internationalization. Moreover, investors may use the relevant parameters of the proposed model in the evaluation of the project of international expansion. For example, such aspects as global orientation of entrepreneurs and the existence of norms for internationalization in a particular industry within the national market are extremely important for analysis of internationalization projects. Policy makers responsible for entrepreneurship and global integration of national economy can also use these results. While it is widely emphasized that export activities are essential for economic development (Freixanet 2012), the conditions for NVs in EM still remain unfavorable. The low level of development of regulative institutions and laws in EM is a significant barrier to NVs internationalization, and especially for NVs from innovative sectors.

Undoubtedly, our study has several limitations. First, the most important one is related to sample size, which is relatively small. However, it is noteworthy that the population of international new ventures from Russia is still unknown and, moreover, information on export activities of Russian firms is not published in official reports. For this reason, Russia has been overlooked and our study is one of the first successful research projects in this context. Further data collection on NV internationalization from Russia is of a particular value because of the unavailability of public information on this topic. Another limitation of this study is the use of a number of subjective indicators, based on a survey of the founders of entrepreneurial firms from Russia.

NOTE

1. Interfax has set up the largest information database on Russian, Ukrainian, and Kazakh companies - SPARK (Russian acronym for the System of Professional Analysis of Markets and Companies). SPARK covers 12 million Russian, Ukrainian, and Kazakh entities and has tools to analyze, compare, link and benchmark companies. The database accumulates information from all possible official sources and enables comparative analysis of data on companies, markets, industries and regions as well as ranking by more than 1000 business and financial indicators. SPARK web-site - www.spark.interfax.ru. (Accessed 13 September 2013).

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Publication II

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**An Institutional Approach to Entrepreneurial Internationalization: Qualitative
Meta-Synthesis.**

*Accepted for publication in the proceedings of the Academy of International Business –
UK & Ireland Conference, (April 7-9 2016, London, UK) through a double-blind peer
review of the full paper.*

(A revised version of the paper is currently in journal review process)

An Institutional Approach to Entrepreneurial Internationalization: Qualitative Meta-Synthesis.

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Abstract

This study aims to shed light on how firms and their institutional setting interplay and co-evolve in and prior to the process of entrepreneurial internationalization. While investigating relatedness of institutions to entrepreneurial internationalization this paper relies on qualitative meta-synthesis (QMS) as a context-sensitive review-based approach for generating new insights and understanding from a number of available qualitative studies. This particular method was chosen during preliminary domain screening as long as a significant portion of qualitative studies within the topic of interest was identified. A strong but fragmented and mostly implicit qualitative component describing institutional influences on entrepreneurial internationalization, which is unable to be assessed within conventional meta-analysis, is integrated and taken into account through QMS trying to build more coherent and context-sensitive body of knowledge. Starting with thorough analysis of individual articles (N = 528) published from 1989 to 2015 within IE research domain (Jones et al. 2011; Servantie et al. 2016), we are able to integrate separate institutional concepts involved in the process of entrepreneurial internationalization into a joint meta-causal map, while showing existing gaps and directions for further research. Thus, the main contribution of this article lies in the building theory at the upper level of abstraction through theory-based integration of individual empirical qualitative observations.

1 Introduction

International entrepreneurship (IE) and the study of young rapidly internationalizing firms has become of interest during the last twenty five years. While the recent calls for “new insights and new entrants to the field from other disciplines to enrich our understanding of the complex phenomenon that is now known as IE” (Coviello et al. 2011, p.629) appeals to the studies from different perspectives, here we try to take the stock of and elaborate on a particular perspective onto specific issue of IE, namely organizational institutionalism onto entrepreneurial internationalization. Specifically, while the importance of institutional factors has been often highlighted as crucial both for internationalization (Gaur et al. 2014; Peng et al. 2008) and entrepreneurship (Bruton et al. 2010; Valdez and Richardson 2013; Welter and Smallbone 2012), we believe that the relevance of institutions to their intersection (i.e. entrepreneurial internationalization) is at least of no less importance.

Recent analysis of methodological patterns within empirical studies on entrepreneurial internationalization (Types A and C in terms of Jones et al., 2011) revealed the prevalence of qualitative and mixed method approaches (Coviello et al., 2014), making meta-synthesis method extremely relevant. Analyzing specific aspect of entrepreneurial internationalization, in particular regards to the influence of institutional environment, we have found that elaboration upon the available qualitative accounts could bring an additional insight and coherence to the understanding of the focal issue.

Despite the fact that there are a growing number of quantitative research related to institutional influences on entrepreneurial internationalization, most of it following quantitative research logic just shows the tip of the iceberg confirming the existence and direction of certain institutional impact. As we can see from preliminary review of quantitative studies on entrepreneurial internationalization (see Appendix 1), there is great variation of topics, analytical techniques, distinctive sampling within idiosyncratic context, making the body of knowledge rather fragmented. All these hinder the possibility of its aggregation by means of quantitative meta-analysis. Second, while meaning, sense-making and justification of decision-making upon entrepreneurial internationalization seems to be vital for understanding the phenomena in focus, it is often

neglected within quantitative macro-level methodologies, thus more interpretive, qualitative should be preferred for the purpose of the study. In general, lack of evidential depth and richness in explanation of institutional processes involved in entrepreneurial internationalization and rather distant relation to core concepts, assumptions and arguments of institutional theory were largely common to quantitative studies, thus we are aiming to derive and build on the evidence from qualitative studies.

Building on and extending Scott's three-pillars framework (Scott, 1995) those quantitative studies assess the impact of predetermined measurable variables related to country institutional profile for entrepreneurship (e.g. Volchek et al., 2013, 2015) leaving apart deeper understanding of nature and mutual interrelatedness of institutional processes involved in acts of organizational behavior such as entrepreneurial internationalization (Szyliowicz & Galvin, 2010).

Noteworthy, a number of studies consider a separate dimension of institutional environment, in majority of cases – regulatory aspect (Coeurderoy & Murray, 2008; Ketkar & Acz, 2013; Shirokova & Tsukanova, 2013). Considered solely, available data upon differing regulative institutional context (e.g. for entrepreneurship) leave apart the interplay between different dimensions of institutional environment, for instance the issue of how these regulatory conditions interpreted and enacted by domestic and international actors (e.g. entrepreneurs). While regulations are interpreted using individual cultural-cognitive mechanisms, norms within the particular societal structure determine to what degree (if at all) it is common to follow a certain regulation. In particular, we believe that there is a significant source of variance in the organizational behavior of entrepreneurial firms due to distinctiveness of other institutional influences involved in entrepreneurial decision-making upon internationalization. This study aims to draw broader, holistic picture of entrepreneurial internationalization viewed from institutional perspective by synthesizing and interpreting qualitative studies related to the following question: *how do firms and their institutional setting interplay and co-evolve in and prior to the process of entrepreneurial internationalization?* By focusing on the arrows not the boxes, we propose that broader and deeper application of institutional lens to the issue of entrepreneurial

internationalization within different contexts, including emerging economies, is a fruitful approach for advancing this body of research. Additionally, applying institutional perspective to our focal issue, we are aiming to tackle the following question: *why and with what consequences do entrepreneurial firms exhibit internationalization that complement, if not defy, traditional rational explanation.*

2 Background and theoretical standpoints

International entrepreneurship (IE) is a broad domain studying entrepreneurial internationalization. Recently several reviews focusing on IE have been published; we acknowledge that considerable advances have been made by various scholars in examining available results within the field (Jones et al., 2011; Keupp & Gassmann, 2009; Coombs et al., 2009; Peiris et al., 2012; Terjesen et al., 2016). Although various opinions on the development stage of the IE research domain have been presented, there seems to be an agreement that a) the field is developing extensively as it draws on various theoretical perspectives and b) in order to advance the field scholars should further build a stronger theoretical basis. We based our argument on the latter point and this provides us the research gap. First, we argue that institutional theory, as one of these possible theoretical standpoints has been underemployed and “under-studied”, while having a lot to offer.

Second, although we were able to identify a specific review on how scholars have applied institutional theory in international entrepreneurship (Szyliowics & Galvin, 2010), and we agree with their general assessment that “*all of this research provides valuable knowledge, however it fails to take advantage of many of the insights of institutional theory*” (p. 322), we are not quite satisfied with their protocol and definition of IE research domain. Specifically, only eight articles from their review fall into the domain of IE research framed by Jones et al. (2011).

Lastly, the role of institutional analysis within the parent fields of international business (Jackson & Deeg, 2008) and entrepreneurship (Bruton et al., 2010) has been examined, arguing that both fields could draw upon much richer understanding of institutions and their effects, while trying to explain issues in focus in more

theoretically sound manner. As far as '*institutions provide guidelines and resources for taking action as well as prohibitions and constraints on action*' while '*setting off legitimate from illegitimate activities*' (Scott W. R., 2008, p. 50) the reasonable idea to take institutions into account analyzing various aspects of organizational activities was widely applied in scholarly research. In this we turn our focus on how various concepts of institutional theory apply to entrepreneurial internationalization.

2.1 Entrepreneurial internationalization, institutions and legitimacy

Legitimacy is generally understood as the right to exist and perform an activity in a certain way, while in organizational institutionalism, the more legitimate is the organization, the higher the chances for survival due to the ease of acquiring key inputs (Deephouse & Suchman 2008). Entrepreneurial firms need to behave in a proper and desirable way avoiding sanctions applied to deviating entities, while its institutional environment was found to be particularly important for these firms (Carney & Gedajlovic, 2003). Past performance considered as a possible source of legitimacy puts entrepreneurial firms to disadvantage comparing to their more established counterparts. For internationalizing entrepreneurial firms, which are exposed to liabilities of newness (Stinchcombe, 1965), smallness (Aldrich & Auster, 1986) and foreignness (Hymer, 1976; Zaheer, 1995), it is vitally important to find appropriate strategies to interact with their institutional environment and build own legitimacy. Remaining at this standpoint within organizational institutionalism, we could imply that decision-making upon taking action is tightly bound to the concept of legitimacy, than that of efficiency. In other words, institutional effect signifies when a firm exhibits some behavioral act (e.g. adopts some practice) mainly to gain more legitimacy and survival rather than 'purposely' relying on rational and efficiency-seeking behavior (Greenwood, Oliver, Suddaby, & Sahlin, 2008, p. 11). Taking more generally, in order to indicate the institutional influence on some kind of organizational behavior one should precisely consider the motivation for this action. While in most cases these two facets of reasoning

behind any sort of organizational action may reinforce each other, in some instances firms behave according to just one stand, exerting inconsistency within another reasoning setting (Scott, 2008).

Entrepreneurial internationalization, implying liabilities of smallness, newness and foreignness, being counterintuitive to ideas of natural gradual development, could be seen as a strategic action. Executing this strategy as an act of organizational behavior involves finding ways how to offset these liabilities or even turn them to advantages. Strategic analysis typically couples two mainstream views, namely industry-view and resource-based view. Following Porter's industry-view, markets differ in terms of its attractiveness, while resource-based view implies that firms behave within these contexts according to the combination of resources they possess. We believe that not only there is an additional force – institutions - that influence strategic decision making, but also the one playing a great role in the impact of the former two (Peng, Wang, & Jiang, 2008, p. 923). Following Kirzner's economic theory of entrepreneurship (1985), we argue that both markets and institutions are not in equilibrium and there are always some discrepancies and a tension in between used by entrepreneurs. These discrepancies both between certain elements of institutional environment within a domestic market as well as between different countries are the sources of opportunities exploited by 'alert' entrepreneurs. The ability to render and exploit these opportunities, i.e. entrepreneurial mindset as a special framework for processing information, is the basic characteristic entrepreneurs, both institutional and international.

2.2 *Framework of institutional pillars*

The most widely used contribution of institutional theory applied to the intersection of entrepreneurship and international business is the three-pillar concept of institutional environment introduced by famous American sociologist William Richard Scott (Scott, 1995). According to Scott, *'institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities*

and resources, provide stability and meaning to social life' (Scott, 2008, p. 48). The table below (Table 1) provide a sound representation of the concept

Table 1. Three Pillars of Institutions

	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-cognitive</i>
<i>Basis of compliance</i>	Expedience	Social obligation	Taken-for-grantedness Shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules, laws, sanctions	Certification, accreditation	Shared logics of action, isomorphism
<i>Affect</i>	Fear guilt / innocence	Shame / honor	Certainty / confusion
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible, recognizable, culturally supported

Source: Scott, 2014, p.60

The concept of three pillars was utilized in IB in the study of quality management - being operationalized as country institutional profile (CIP) (Kostova, 1997), then pulled to entrepreneurship domain for development of country institutional profiles for entrepreneurship (CIPE) on a sample of six developed economies (Busenitz, Gómez, & Spencer, 2000). Further, the CIPE was applied in the context of larger set of countries (Spencer & Gomez, 2004), emerging economies in Eastern Europe (Manolova, Eunni, & Gyoshev, 2008) and used for single-country studies (Thoumrungroje, 2010). Along with the studies regarding application of the framework to study domestic entrepreneurial activities, some studies specifically propose and/or apply the scale in relation to international operations (Yamakawa, Peng, & Deeds, 2008; Descotes R., Walliser, Holzmüller, & Guo, 2011; Volchek, Jantunen, & Saarenketo, 2013; Descotes, Walliser, & Guo, 2007).

The three-pillar concept operationalized as a scale of country-institutional profile for entrepreneurship (CIPE) might implicate validity problems when directly applied to the issue of entrepreneurial internationalization (cf. Type A and C in terms of Jones et al. 2011). While Busenitz et al. (2000) suggest that *'the scales developed in (their) study improve both the empirical and theoretical rigor of international entrepreneurship research'*, they also add that *'this institutional profile should provide a useful tool with which*

researchers can explore a variety of issues regarding cross-national differences in entrepreneurship' (Busenitz, Gómez, & Spencer, 2000). In other words, their scale per se in its application within IE domain has limited applicability to the specific stream of studies, namely the cross-national comparison of domestic entrepreneurship (Type B in terms of Jones et al. 2011). While various quantitative studies showed insignificant relationships between one or another CIPE dimension and internationalization (Volchek, Jantunen, & Saarenketo, 2013), this does not actually mean that there is no influence of one or another dimension of institutional environment on firm's internationalization. It just means that there is no institutional influence measured by specific scale, which was developed in relation to starting new business, but not internationalization. On the other hand, significant association between one or another dimension of CIPE and internationalization would only show indirect relationship, as far as one could expect that the more the number of new business start-ups due to favorable institutional environment, the more likely we could see higher number of international new ventures in absolute values. However, if we consider institutional influences specific to entrepreneurial internationalization, we expect that this would influence the relative number of INV from the total number of new business start-ups. This argument calls for the new scale specifically developed for measuring institutional influences relative to entrepreneurial internationalization.

Additionally, related concept of institutional distance defined as *'the extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions of two countries'* (Xu & Shenkar, 2002) is also applicable. Recently, this concept was developed further to incorporate the notion of host country institutional uncertainty, which in addition to the degree of difference between institutional environments increases the overall institutional distance (Phillips, Tracey, & Karra, 2009). In this sense, emerging markets characterized by higher degrees of institutional change could be viewed as more institutionally distant markets, while entrepreneurs from uncertain institutional environments could be better suit for activities in other emerging markets.

It is also worth to mention recent attempts to extend the framework by introducing additional elements to the model, namely *habitual actions* (Gronow, 2008) and *conductive dimension* (Stenholm, Acz, & Weubker, 2013). Following the Scott's reflection onto the addition of the fourth pillar (Scott, 2014, p.70), we believe that the original framework is inclusive, while these so-called "new" dimensions are found to be based on the same qualifying grounds as one or mix of original dimensions.

For the sake of our study, three-pillar concept of institutions was applied as an analytical instrument, helping in interpretation and integration of the results. Although, Scott highlights the distinctive nature of each element of institutional structures, during the process of our review of qualitative accounts we faced evidences of his latter comment: '*it is not one, single element at work but varying combinations of elements*' (Scott, 2014, pp.70). In some cases when social system is stable, we observe all the elements of institutional environment are aligned and show unidirectional impact on an organizational practice. In other cases, where institutions are in the process of change, we can see misalignment whereas institutional elements motivate differing behavior and response. The latter condition is widely observed among studies held within the context of emerging economies. For example, Boisot and Meyer (2008), revealed that domestic regulative environment pushes firm to internationalize, while cultural-cognitive features of business in China has an opposite impact.

In summary for this section, we can see that for almost twenty years the framework of institutional pillars was successfully pulled for instrumental application to the analysis of entrepreneurial behavior in general, but only partly realized its potential in the domain of international entrepreneurship. This study aims at deeper applications of arguments and frameworks of organizational institutionalism, including aforementioned three-pillars, to the focal issue of entrepreneurial internationalization in our synthesis of qualitative research.

3 Methodology and results

3.1 Qualitative meta-synthesis

The current paper in investigation of institutional influences on entrepreneurial internationalization relies on qualitative meta-synthesis (QMS) for generating new insights and understanding from a number of available qualitative studies. The founding idea of general meta-studies rely on the assumption that knowledge *'not only stems from a revolutionary progress (Kuhn, 1962), but can also emerge from a backward-oriented integration of previous evidence (Campbell, 1974)'* (Hoon, 2013). The need for this kind of methodology could be clearly expressed by citation of Nobel laureate Erwin Schrodinger (1951, p. 6) who emphasized: *'it seems plain and self-evident, yet it needs to be said: the isolated knowledge obtained by a group of specialists in a narrow field has in itself no value whatsoever but only in its synthesis with all the rest of knowledge'*. While meta-analysis of quantitative studies aims to increase certainty in regards to a particular cause-effect relationship, QMS tries to understand and explain phenomena in interpretive manner (Walsh & Downe, 2005). It is different from traditional literature review in the sense that it requires the primary studies to interact with each other, building them into mosaic or map. Being and umbrella term to a family of methodological approaches, QMS seeks to develop new knowledge based on rigorous investigation of available qualitative research findings (Sandelowski & Barosso, 2007).

Being initially developed and popularized in the areas of healthcare, education and sociology, later possibilities of applying meta-synthetic approach to the field of management were also discussed (Tranfield, Denyer, & Smart, 2003). However, since that time, qualitative meta-synthesis has not received proper attention within management literature and has been utilized only in few exceptional works. Recent publication by Cristina Hoon, draws attention to the research design of a meta-synthesis of qualitative case studies, proposing eight steps how to build theory using this method and providing illustration of its application in relation to dynamic capabilities (Hoon, 2013). In that study we could also find rather appealing definition of meta-synthesis of case studies as *'an exploratory, inductive research design to synthesize primary qualitative case*

studies for the purpose of making contributions beyond those achieved in the original studies' (Hoon, 2013, p. 527).

Aside from aforementioned research paper there are various guidelines, recommendations and techniques applicable to qualitative meta-synthesis, but so far the universal consensus on how should this type of study look like has not been achieved (Timulak, 2014). Our qualitative meta-synthesis is based on these diverse guidelines and recommendations, but it does not fully resemble any one of the proposed methodologies (Hoon, 2013; Noblit & Hare, 1988; Trandfield et al. 2003; Barroso et al. 2003; Sandelowski & Barosso, 2007; Walsh & Downe, 2005). Meta-ethnography approach of Noblit and Hare (1988), while originally being a synthesis of ethnographic studies was lately extended to all qualitative studies and their approaches are borrowed by different brand name approaches to QMS. From their study we took three possible ways of synthesizing the results, namely translation (translating concepts of comparable studies into one another), refutation (reconciling contradictions between studies) and lines-of-arguments (producing higher order interpretations) syntheses (Noblit & Hare, 1988).

Moreover, additional to the aforementioned methodological considerations various techniques for qualitative data analysis and theory building from case studies are also applicable within the employed method (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994; Yin, 2009). Regardless of various research design and techniques employed there are numerous studies in different research disciplines trying to integrate and interpret available qualitative body of knowledge. Two major distinctive features of our approach are the predetermined set of articles to consider and the absence of appraisal.

We have taken the research domain from the existing framing of IE field (Jones et al. 2011) and we believe that our aim to collect every piece of empirical evidence within the domain as it is does not require any unnecessary evaluation. In general, qualitative meta-synthesis seeks for not only on what we can say of the whole, based on selective studies of the parts, but also how the whole is greater than the sum of the constituent parts.

3.2 *Locating relevant papers and classification*

In order to conduct qualitative meta-synthesis project, the ideal goal for researchers is to retrieve all of the relevant studies within the topic of interest (Barroso, et al., 2003, p. 53), thus there is a need for undertaking a robust search (Walsh & Downe, 2005). First of all, giving our regret to the enormous contribution in framing the domain of international entrepreneurship field made by Jones and her colleagues (Jones, Coviello, & Tang, 2011), we started our synthesis with articles included in their review (1989-2009), but later we combined it with more recent list of studies taken from another review study (Servantie et al. 2016). As far as our focus is on entrepreneurial internationalization (Type A and C) we excluded Type B (International comparison of entrepreneurship)¹ studies from the list of studies provided by Jones et al. (2011), while from the list of the second review study (Servantie et al. 2016) we have taken only the recent studies that were missing in the first review. Finally, the total number of 528 studies has been reviewed to identify and synthesize qualitative evidence of institutional impact on entrepreneurial internationalization.

After framing our own database of articles devoted to entrepreneurial internationalization and retrieving individual articles from various sources, we classified all the studies according to their methods (quantitative, qualitative, mixed and conceptual), type of IE research in accordance to Jones et al. 2011 (Types A and C) and the role of institutional factors (explicit, implicit, background and none). In the classification process, the most challenging part was the last one as judgements were time-consuming to do as they required in-depth analyses of the focal articles. The initial idea was to focus only on articles that explicitly employed institutional theory (perspective, view, etc.) as one of its theoretical standpoints. However, during classification process we understood the need to incorporate also the studies that show an implicit relevance to institutional perspective. Not only the small number of studies that fits to explicit option was the decisive factor, but also hidden facts of institutional evidence within the rest part of IE research. After identification

¹ Similar exclusion is done in the review by Servantie et al. (2016) and we support their argumentation that Types A and C is the crux of international entrepreneurship research.

and thorough reading of qualitative studies with explicit institutional evidence related to entrepreneurial internationalization (Type A and C) we were able to grasp initial set of related institutional categories. These identified categories were soundly grouped to structures (institutional environment), attributes (legitimacy) and processes (isomorphism, institutional entrepreneurship) a classification framework suggested to be relevant for institutional theory (Palmer et al. 2008).

While starting our review process upon these explicitly stated categories we left the possibility to add some new emerging concepts revealed from the more hidden empirical evidence. This extension allowed us to include several additional concepts and sub-categories relevant to entrepreneurial internationalization such as decoupling, competing institutional logics and two tightly related areas, namely meaning and culture. Another important issue, namely, strategic response to institutional pressures was also taken into account. Finally, all articles on entrepreneurial internationalization from the database by Jones et al. (2011) are classified accordingly (see Table 2).

Table 2. Classification of IE research (1989-2009)

Methods	Role of institutional factors				Total
	Explicit	Implicit	Background	None	
Qualitative	A-4	A-46; C-7	A-10	A-11; C-1	79
Quantitative	A-7; C-3	A-41; C-1	A-16; C-4	A-38	110
Conceptual	A-9; C-1	A-8	A-2	A-13	33
Mixed	-	A-11; C-4	A-2	A-2; C-1	20
Total	24	118	34	66	242

Firstly, classification of the research articles from 1989 to 2009 (Jones et al. 2011) by methods clearly points to the dominance of quantitative studies ($N_{\text{quan}} = 110$; $N_{\text{qual,mixed}} = 99$) in the research on entrepreneurial internationalization. Secondly, a small number of empirical articles explicitly use institutional perspective ($N_e = 14$), while only few of them are qualitative ($N_{\text{qual,e}} = 4$) and none are mixed-method. Thirdly, while the number of qualitative and mixed-method studies explicitly employing institutional perspective is small ($N_{\text{qual,mixed,e}} = 4$), we have been able to find a substantial number of articles providing implicit qualitative evidence of institutional impact on entrepreneurial internationalization ($N_{\text{qual,mixed,i}} = 68$). Finally, for our

qualitative meta-synthesis we are taking only those articles that provide qualitative evidence of institutional impact of explicit or implicit nature ($N_{\text{qual,mixed,i,e}} = 72$). More recent portion of articles classified in the table below (Table 3)

Table 3. Classification of IE research (2010-2015)

Methods	Role of institutional factors				Total
	Explicit	Implicit	Background	None	
Qualitative	A-11; C-1	A-63; C-0	A-13; C-0	A-10; C-0	98
Quantitative	A-18; C-6	A-33; C-1	A-33; C-0	A-42; C-1	134
Conceptual	A-20; C-2	A-8; C-0	A-9; C-1	A-9; C-0	49
Mixed	A-1; C-0	A-4; C-0	A-0; C-	A-; C-	5
Total	59	109	56	62	286

Further, staged synthesis of these studies aims at elaboration of several lines of argument related to the focal issue. Although the amount of relevant qualitative evidence significantly varied among individual articles, we were interested in every single piece of evidence allowing to extend the emerging body of knowledge.

4 Results

4.1 Explicit institutional evidence and central concepts

Thorough reading of the articles assigned to the group of explicit institutional evidence not only allows us to reveal central categories related to institutional influence on entrepreneurial internationalization, but also to start synthesizing and mapping the finding into integrative conceptual frameworks (Table 4). In the process of reading and synthesizing, revealed categories were further transferred and translated between individual articles, thus explicit institutional evidence shown and explained in the initial set of articles was then illuminated and reinterpreted in institutional terms within the rest body of evidence.

Table 4. Explicit evidence of institutional influence on entrepreneurial internationalization

Article	Geographic context and research settings	Explicit vocabulary used	Findings/Evidence related to institutional impact on internationalization (original text in italics)	Interpretation/Implications/Explanations (original text in italics)
McGaughey, 2007	Tasmania (Australia) Longitudinal case-study of a cluster of SMEs led by portfolio entrepreneurs	Legitimacy; Positive and negative legitimacy spillovers; Institutions: regulatory, normative and cognitive; Institutional difference; Decoupling	Lightning rods containing radioactive isotope were discouraged by healthcare institutions and then prohibited by law in Australia, <i>whereas in South East Asia this was not the case.</i> Letter of concerns from a senator about unsafe exporting, transporting and storage of radioactive materials by the firm to the Minister for Health found its way into the hands of the press with sensational titles. The issue was raised in the Parliament, and picked up by the media. Firm had to cease the offending practice, but lost its credibility. Negative consequences were also spread to their export operations and other ventures in the Group.	Greater social and regulatory acceptance of products in certain countries compared to home country encourage exporting to these countries. Single challenge to legitimacy of the firm could question firms' survival, especially if media plays against. Legitimacy issue could be spilled over to firms' export destinations and associated firms even if the firm would quickly fix the problem by conforming to expectations.
Dahles, 2008	Singapore 55 single interviews with ethnic Chinese local entrepreneurs, including 4 more in-depth case-studies	Institutional: norms, values, regime, context, environment, legacies, constraints, ambivalence, brokerage. Legitimacy and meaning State-driven isomorphism	Old institutional legacies of family business, kinship and ethnic affinity <i>plays a persistent role in venturing across borders</i> , while governmental initiatives, structures and support for internationalization was not playing central role for Singaporean entrepreneurs venturing abroad	State-driven institutional isomorphism (governmental initiatives, structures and support) is only additional stimuli to entrepreneurial behavior and strategies, but not the main one. State could not easily alter persistent patterns of entrepreneurial behavior and strategies.
Karra, Phillips, Tracey, 2008	Turkey In-depth case study of a serial entrepreneur	Institutional: distance, entrepreneurship, bridging, knowledge, Cognition	<i>Western style goods, which symbolized affluence, well-being and financial status, made this a lucrative and rapidly growing business.</i>	Symbolic value of goods sold in host countries creates additional advantages for exporting to these countries.

Liu, Xiao, Huang, 2008	China in-depth case studies of 16 indigenous private-owned firms	Institutional arrangements and barriers; Cognition, cognitive bias	When the case entrepreneur decided to open up his second venture on his own he successfully used distribution network developed during the previous venture. Retailers were keen to maintain their links with him and sell his products. Case entrepreneur with his Turkish-Bulgarian roots made him a natural institutional bridge. Growth-up in Bulgaria, he spoke fluent Russian and understood what it meant to be part of the former Soviet Bloc, and the difficulties of transition towards a market economy for such countries. His Turkish heritage meant that he also understood the difficulties faced by non-Turks seeking to engage in commercial activity in Turkey. Moreover, although Turkey and Eastern Europe are divided by religion, ethnicity and language, they both place a strong emphasis on social relationships.	Positive legitimacy spillovers to INVs due to previous business experience in dealing with the entrepreneurs. <i>Institutional bridging as one of entrepreneurial competences that are unique to INVs.</i> Having unique dual social embeddedness in different contexts, entrepreneurs might bridge the institutional distance between countries involved in value chain. Ability to identify and exploit similarities between oneself and the country institutional environment could serve as a critical and hard to copy advantage for international entrepreneurs. The higher the institutional distance, the more difficult is the bridging task. <i>Linkages with established local firms (confer a degree of legitimacy) and local labor force (involves adopting practices and ways of working that are consistent with local traditions) may also play a significant role in helping entrepreneurs to bridge institutional distance.</i>
Lesage, Ronteau 2012	Japan exploratory single-case study	Institutional entrepreneurship; institutional field; paradox of embedded agency	Chinese private-owned entrepreneurial firms found themselves institutionally discriminated against state-owned enterprises so that their international expansion is hindered. <i>Bounded entrepreneurial cognition</i> arisen from lack of education and experience coupled with institutional barriers inhibits internationalization. Regardless of these disadvantages, case entrepreneurs were able to internationalize because of being highly motivated and passionate in what they were doing. The entrepreneurs were able to extract his firm from institutional field because he was initially an outsider. Being an outsider to institutional field with abilities to overcome institutional rules helps in resolving the paradox of embedded agency.	Governmental policies concerning support of export activities could be rather selective and discriminating against entrepreneurial firms hindering their internationalization. These institutionalized discriminating policies combined with national deficiencies of entrepreneurial pool (e.g. lack of experience and educations) aggravate chances for successful entrepreneurial internationalization. More fine-grained support policies regarding entrepreneurial internationalization would increase national export potential of motivated entrepreneurs and probably motivate others. Outsidership and ability to overcome institutional rules triggers institutional entrepreneurship.

Shirokova, McDougall-Covin 2012	Russia Multiple-case study of 3	Institutional environment, legitimacy, legal systems, social norms, cognitive structures	<p>Networks do not appear to play a major role in the internationalization process of Russian entrepreneurial firms due to institutional idiosyncrasies (possible institutional reasons provided in the next column of the table).</p> <p>Russian entrepreneurs use their contacts only to gather information about potential foreign market, but they prefer to search for business contacts on their own or with the help of some organized marketing events like trade fairs.</p> <p>For entrepreneurial firms competing in an emerging market characterized by a lack of strong institutional systems, we found that trust between business partners which was built over time through transparency and repeated transactions was the most valuable mechanism fostering internationalization</p> <p>For example, Dipaul hired two top managers from the Netherlands who were able to increase the level of trust among its European partners towards the company.</p>	<p>Historical past of Russia being isolated from the rest of the world for 70 years made contacts between Russian and foreign people rather rare and limited.</p> <p>Although the outflow of immigrants was quite high since 1980s and today there are many former Soviet citizens living abroad, these social contacts play a rather insignificant role in the development of business contacts. Russian immigrants usually demonstrate rather low willingness to help their countrymen ..., focused on the fast short-term benefits and are known to often cheat their partners from Russia.</p> <p>The distrust to and negative image of Russian entrepreneurs held by foreigners, prevents Russian entrepreneurs from relying solely on their social networks in the process of internationalization. Instead, they rely on consistent demonstration of honesty and transparency with their business partners in order to establish trust between business partners.</p> <p>One strategy to remove cultural barriers in finding new partners abroad is to hire the representatives of host countries</p>
Turcan 2012	Scotland Longitudinal multiple-case study of five software INVs	external legitimacy, legitimation strategy, legitimacy threshold	<p>In their quest for external legitimacy, INVs, more often than not, are captive to existing or emerging niche markets or to large enterprise players who demand exclusive partnerships. Being captive threatens new ventures' ability to reach the legitimacy threshold, and hence to survive.</p>	<p>The constant drive for innovation and search for new business opportunities, as well as the urge for goal alignment and early exit strategies, may mitigate the risks associated with new ventures' captivity.</p>
Andersen, Rask 2014	Single case study of US-based venture founded by Israeli	legitimacy-creating efforts; institutional contexts; institutional pressures; institutional diversity	<p>Storytelling is a key part of the legitimacy-creating efforts of international new ventures</p> <p>Storytelling must be adapted to the existing discourses in the contexts in which it is applied</p> <p>INVs seeking to create legitimacy for business models in novel business areas are shaping these areas through their actions, and storytelling is central to understanding what may later become institutionalized facts that other actors must accept</p>	<p>Developing a cluster of stories that (a) reflects and appeals to a grand narrative, such as environment preservation and finding a replacement for oil in transportation, while (b) building a cluster of internally and logically consistent stories, all adhering to specific aspects that reflect the concerns of divergent key stakeholders, represents a viable strategy for creating legitimacy for an INV.</p>

4.2 Synthesizing institutional evidence

Besides the aforementioned explicit evidence of institutional influence upon entrepreneurial internationalization, our synthesis allows the inclusion of implicit evidence based on the previously revealed categories and emerging ones. The implicit evidence revealed was reciprocally translated into explicit institutional categories and other implicit evidences (translation synthesis), while appearing contradictions are reconciled (refutation synthesis). Accordingly, institutional influences related to different elements of entrepreneurial internationalization activities are discussed and interpreted below. The first line of argument relates to creation of legitimacy in host country by means of isomorphism (Table 5).

Being like a firm from the lead country or like local approach towards host country markets (mimetic isomorphism, e.g. in terms of physical presence) enhances firms' chances for survival. The firm might try to look like e.g. an American without having 'real' physical presence in the country by decoupling its actual core activities from the image desirable in a particular country. The use of the Internet or local dealers as a sales channel reduce the need for legitimation based on the physical presence and makes firms stateless, if this approach is acceptable in a particular country and industry. An interesting implicit example of decoupling was found in the case study by Gabrielsson & Pelkonen (2008) when digital media firms were forced to grow by opening international offices worldwide, whereas meeting these expectations led to increase in firms' stock prices. In this situation decoupling was rather smart strategic response to the normative pressure. In so doing a ceremonial conformity to external expectation by establishing new offices abroad was paid off by increased capitalization regardless of actual incorporation of these offices to operational practice. Thus, the institutionalized practice of extensive geographical expansion was awarded by financial market regardless of cost-efficiency within internal task environment. This was short-lived, however, as stock market crash in IT and telecom industries and bankruptcies in early 2000s led to refocus of external expectations from growth to profitability, thus consequently changing internationalization strategies of the survived companies. Interestingly, in the aftermath we may conclude that the widespread decoupling strategy of meeting such

external growth expectations regardless of internal efficiency was a precursor of the crisis. Firms were trapped by inertia of institutionalized practice framed by biased external evaluation practices, but the following crisis restored the status quo and set up the new expectations upfront. The next section provide examples for another branch of legitimacy-enhancing activities which is based on associative legitimacy spillovers from the relationships within the network (Table 6).

From the point of organizational institutionalism, one source of venture's legitimacy could be connections to legitimate others, for example to industry leaders, government agencies, or other institutional actors (Galaskiewicz, 1985). According to the evidence obtained, legitimacy of newcomers in host countries is often depends on their network and association with legitimate others, including various governmental agencies, MNCs and other respected actors, that are considered to be legitimate in the particular host country. Building legitimacy of one's own new venture, thus is contingent on the ability to leverage these legitimating associations. Selection of proper partners involves the assessment of their legitimacy on the basis of reputation, certificates and relationships with other players within the industry. Not only such a linkage per se is important, but also the awareness and acceptance of firms' associations by the relevant reference groups in external environment. For new ventures a network-based legitimacy is not always available option as far in order to be included in international networks or establish a partnership firms' legitimacy is also considered by potential partners within the network. Without a substantial international history of performance new ventures have to rely on other sources of pre-entry legitimation discussed below (Table 7).

Table 5. Isomorphism as a source of legitimacy in host countries

Articles	Vocabulary used	Implied institutional concepts /arguments	Exemplary evidence (original text in italics)
Arenius et al. 2006 Bingham 2009 Chandra et al. 2015 Evangelista, 2005 Fletcher, 2004 Fuerst, 2010 Gabrielsson & Pelkonen, 2008 Jolly et al. 1992 Kuemmerle, 2002 Laanti et al. 2007 Oxtorp, 2014 Spence & Crick, 2009 Tolstoy, 2010 Ibeh, Kasem 2011 Maimela et al. 2011 Crick, Crick 2014	Physical presence in place (host countries worldwide, lead markets) Local presence American image Western style	Legitimacy gained through isomorphism to local environment achieved by: 1. physical presence 2. virtual presence - decoupling of action from structure	<i>I. Not having investments and people in place worldwide makes start-ups 'outsiders'; thereby denying them the national privilege others enjoy (Jolly et al. 1992)</i> <i>Physical presence in a foreign market appears to be important for software that requires maintenance, training, or technical support. After several unsuccessful distributorships, one company decided to set up sales offices in the U.S. and after six months, this started to show some positive gains (Evangelista, 2005)</i> <i>We just recognized the need to look like a local company in certain markets; we're going to try to do that. For a small company it's important. Through opening an office, having distributors dealing with our customers and potential customers and having really good response time to requests. Because a local company will have advantage in terms of shipping and time zone, so we try to minimize that difference (Spence & Crick, 2009).</i> <i>All these companies were buying from American companies. So we needed, as a point of reference, an American office and some American customers (Bingham, 2009).</i> <i>...to work in the German market – we needed a German presence and speaking capability, so we opened an office there (one person and phone) to communicate with market opportunities (Fletcher, 2004)</i> <i>In this initial set of interviews he noted that an entrepreneur's physical location plays a crucial role in INVs and that initially, for this venture, he had been in the wrong place, New Zealand, when he got the idea for Biovite, from an acquaintance. But when he moved to Queensland, a focus of Australia's biotech industry, a year later, his idea took flight (Chandra et al., 2015)</i> Physical presence refutation: <i>2. If I were to have an office in France and in Spain and all that, people on the ground, it will not be feasible and I don't mind giving up a little bit of the margin to the dealer who essentially is my personnel on the ground, but I don't pay him (Spence & Crick, 2009)</i> <i>...with the Internet the need to be physically in touch with the customers is reduced... (Arenius et al. 2006).</i> <i>The case firms do not offer physical products, but started their foreign sales by offering digital services and software products that can be easily distributed via the net. Hence, they do not require establishment of foreign manufacturing units (Laanti et al., 2007).</i> <i>On the Net, we have an American domain so we actually appeal to American companies; we also have an Australian domain which links to the same site. Nearly half of our hits are American (Evangelista, 2005)</i> <i>Western style goods, which symbolized affluence, well-being and financial status, made this a lucrative and rapidly growing business in Russia (Karra et al., 2008)</i> <i>Ironically, it was hard for us to sell in Asia even though we were originally born in Singapore . . . We needed an American image as well (Bingham, 2009)</i> <i>We competed with other Swedish companies on who opens the next office in the next country there. In reality we had nearly no production, no people, just the office address. Yet, when we send a press release, our stock price rose 10% every opening. Crazy times, I must say (Gabrielsson & Pelkonen, 2008).</i> <i>...the registered phone numbers in the United States and Great Britain, provide an additional competitive edge. Thus, Dewak "in contrast to many freelancers and competitors shows permanent visibility despite of being a virtual company". The objective is that we are perceived as a large firm with phone numbers and addresses both in the United States and Great Britain. Although all communication is transferred at the end to our office in Colombia it makes us look larger (Fuerst, 2010).</i> <i>he emphasized that he did not have to travel at all, because all communications were conducted by phone, Skype, or emails (Chandra et al. 2015)</i>

Table 6. Network-based legitimacy in host countries

Articles	Vocabulary used	Implied institutional concepts /arguments	Exemplary evidence (original text in italics)
Bingham, 2009 Chandra et al. 2015 Coviello & Munro, 1995 Coviello, 2006 Fuerst, 2010 Hagen, Zucchella 2011 Lanti et al. 2007 Loane & Bell, 2006 Loane & Bell, 2006 Loane et al., 2004 Loane et al., 2007 Oxtorp, 2014 Ruokonen, 2006 Spence & Crick, 2009 Terjesen, 2008 Tolstoy, Agndal, 2010 Varis et al., 2005 Tolstoy, 2010 Ibeh, Kasem 2011 Kontinen, Ojala 201abc	Linkages Relationships Network Lent credibility Legitimise Association Relational asset	Networking as a source of legitimacy: government, MNCs, reputable customers	<p>...in China, where the firm uses various government agencies to promote its know-how and help in the financing of projects. A recent agreement with the Canadian International Development Agency allowed the firm's platform to be installed in seven sites in China; these will serve as showcase sites for other customers (Spence & Crick, 2009). We were a very tiny outfit, and had only worked with local [Indian] firms. They were really one of the largest [utilities] players in the world. We were probably particularly attentive to this relationship because it was our chance to prove ourselves, and without this project, we really wouldn't have been able to attract other international clients. (Terjesen et al. 2008)</p> <p>In addition to the introductions provided through his current and former overseas clients, Manoj also uses a vendor in India to provide introductions to foreign firms. (Terjesen et al. 2008)</p> <p>The way Avaro and its owners gained business legitimacy was through such association (with chaebol in Korea) (Zhang & Dodgson, 2007)</p> <p>The partner-potential criteria (including international partners) refer to the future potential of the partner and include third-party training certificates (e.g., SAP or Microsoft certificates), relationships with other players within the industry, and reputation (Varis et al., 2005).</p> <p>This firm provides software for criminal justice, defense and security industries. After its launch in 1994, it worked in Australia for four years, adding influential law enforcement agencies and State police forces to its client list. <u>These clients provided them with both legitimacy and credibility in the wider marketplace</u> (Loane et al., 2007).</p> <p>The new firm's biggest problem was credibility, so they crafted a deliberate strategy that would legitimise what they were doing. <u>The major clients who could legitimise the firm were located in the USA</u> (Loane & Bell, 2006).</p> <p>The partnership with IBM Japan eased entry into its first international market and <u>lent credibility and kudos</u> when it entered Germany and Scotland a year later (Loane et al., 2004).</p> <p>...dealing with internationally renowned clients also adds to the reputation of Dewak and makes the firm internationally more attractive (Fuerst, 2010)</p> <p>through an introduction via a scientist who knew a large US company, the deal to the US market was successful (Chandra et al. 2015)</p> <p>...it is very hard to get into the market with therapeutics if you want to make claims without going through this drug route...these people in Germany (a German firm agreed to distribute their antifungal product under its own brand) have a model which would take us into the market and achieve cash flows at this stage. (the German firm licensed the product and marketed it to their existing client base of over 6,500 medical doctors throughout Western Europe.)...which normally you can't do...which is very fast in this industry...it's just a little loophole but it's legal. (Chandra et al. 2015)</p>

Table 7. Pre-entry reputation and credibility as a source of legitimacy in host countries

Articles	Vocabulary used	Implied institutional concepts /arguments	Exemplary evidence (original text in italics)
Andersson, Evangelista, 2006 Arenius et al. 2006 Coviello, Cox, 2006 Crick, Jones, 2000 Fletcher, 2004 Fuerst, 2010 Gassman, Keupp, 2007 Laanti et al. 2007 Loane, Bell, 2006 Loane et al., 2004 Loane et al., 2007 Oxtorp, 2014 Terjesen et al. 2008 Tolstoy, 2010 Tolstoy, Agndal, 2010 Voudouris et al. 2010 Zhang, Dodgson, 2007 Hagen, Zucchella 2011, 2014 Hewapathirana 2011 Ibeh, Kasem 2011	Legitimacy Credibility Reputation Track record Prove ourselves Technical standards Staff known based on their expertise Adaptation Trustworthy Build confidence	Quest for legitimacy prior to international entry: 1. technology (product)-based legitimization 2. person-centric legitimization 3. internet-based "stateless" approach 4. network-based legitimization (see Table 6)	1. <i>To conquer a market it is necessary to convince a nation's leading researchers, followed by the specialists, other medical doctors and finally the patients</i> (Andersson, Evangelista, 2006). <i>Case D's strategy is to prove at scientific conferences worldwide that the active ingredient developed by them is effective</i> (Gassman & Keupp, 2007) <i>The possession of its technical sophistication attracted Avaro's domestic and international partners. The possibility of being awarded the standard on which its product was based was crucial to the recruitment of the US-based international team. The fact that this team had joined Avaro, and the ownership of the standard, significantly enhanced the legitimacy of Avaro's international efforts</i> (Zhang & Dodgson, 2007) <i>Latterly our strategy has been to work with our Japanese and German suppliers and other big companies, and they have generally taken us seriously – that is because we can offer an innovative product</i> (Fletcher, 2004) <i>The firm made persistent attempts to educate researchers about the benefits of its technology and to sponsor them with products. By doing so, the firm aspired to apply its products in scientific studies that may further bring legitimacy to the firm in the market</i> (Tolstoy, 2010) 2. <i>Very soon the company's staff made themselves known based on their expertise among Kayako users and thus, created awareness for Dowak among potential clients</i> (Fuerst, 2010) <i>This firm received one of the largest ever venture capital investments in Canada, a fact that they attribute to the competency and track records of the founding team</i> (Loane et al., 2007). <i>Indeed, clear evidence emerged from firms that had obtained venture capital that the track record of the founding team and of individuals therein was pivotal</i> (Loane et al., 2007) <i>Their 'scientific past' has provided these entrepreneurs with what could be called an 'admission ticket' to these communities of costless knowledge exchange</i> (Gassman & Keupp, 2007) After hiring a well-known European marketing manager: <i>He has put us on the map and it has changed our strategic potential</i> (Terjesen et al. 2008) 3. <i>...using the Internet as sales channel also decreased the costs resulting from the host country environment, such as the lack of legitimacy of foreign firms and economic nationalism. It has been proposed that Internet make firms stateless, thus removing the source of economic nationalism (perception of being alike)</i> (Arenius et al. 2006).

As we can see from Table 7 quest for legitimacy prior to new ventures' internationalization is mostly based on accumulated reputation and credibility. In the case of new ventures trying to penetrate new markets the assessment is often limited to credibility of core technology and track records of entrepreneurial team, because firm-specific indicators such as past performance are rather bounded in terms of history and/or geography. For new ventures technological validation and product recognitions by means of conferences, publication, standards, awards, prizes and other endorsements are considered, while previous research and entrepreneurial track records of founders and their team are also vital. Additional source of legitimacy is employing internet-enabled "stateless approach" while trying to avoid outcomes of economic discrimination by ventures' country of origin. Pre-entry legitimacy could also be based on linkages with firms' native partners that are considered to be legitimate in a certain host country, including governmental agencies, local MNEs and other large and respected actors. Another stream of institutional influences revealed to be effective in the prior to the process of internationalization is related to market selection and sequencing (Table 8).

Easier way of building firms' legitimacy, more favorable regulatory environment, higher social acceptance of products and level of economic nationalism in certain countries encourage exporting to these countries. These considerations found its evidence in relation to market selection and sequencing in the process of entrepreneurial internationalization. Different levels of economic nationalism in local industry, including its absence or preferences for other nations' products, would influence internationalization opportunities from demand-side factors. Accordingly, firms might try to look like firms from these preferable nations (isomorphism), whereas institutional actors such as patient organizations could put pressure on authorities in order to change some regulations, while social movements could influence values and norms in a certain country. The important actor in the field of societal values and norms are the media, which is also could be considered as a source of legitimacy for entrepreneurial firms venturing abroad. The role of media in relation to legitimacy is discussed below (Table 9)

Table 8. Institution-based approach to market selection

Articles	Vocabulary used	Implied institutional concepts /arguments	Exemplary evidence (original text in italics)
<p>Andersson, Evangelista, 2006 Arenius et al. 2006 Bingham, 2009 Evangelista, 2005 Karra et al., 2008 Kirkwood, Walton, 2010 Kuemmerle, 2002 McGaughey, 2007</p>	<p>Credibility Authorities Subsidies Government support Economic nationalism</p>	<p>Market selection and sequencing based on the: 1. Ease of building legitimacy 2. More favorable regulatory environment 3. Higher level of product's social acceptance (e.g. better alignment with green values of a host country) 4. Economic nationalism as a measure of social acceptance of national versus foreign goods</p>	<p>1. <i>Our marketing strategy has been trying to get the credible players from the tier-three, then tier-two countries—the big fish in the small pond, like Hyundai in Korea and BenQ in Taiwan. If they adopt your platform and you ship in mass production, then you leverage that to get into the tier-ones in Japan, Germany, and North America</i> (Bingham, 2009)</p> <p>2. <i>Lightning rods containing radioactive isotope were discouraged by healthcare institutions and then prohibited by law in Australia, whereas in South East Asia this was not the case</i> (McGaughey, 2007).</p> <p><i>It has proved difficult to get the product subsidized by the national healthcare system in Sweden, as it cannot be classified as medicine or as an aid for disabled people. In Germany, this fact is irrelevant as long as the product is capable of treating the disease. While Denmark has a similar system to Sweden, it has a stronger and well-organized patient organization, which can put pressure on the authorities. It was easier to sell the product outside Sweden than on the home market</i> (Andersson, Evangelista, 2006).</p> <p>3. <i>Along with the small size of the domestic market, some entrepreneurs believed that New Zealanders were not as ready to adopt their green products as consumers in some overseas countries (particularly the UK and the USA)</i> (Kirkwood, Walton, 2010)</p> <p><i>Western style goods, which symbolized affluence, well-being and financial status, made this a lucrative and rapidly growing business in Russia</i> (Karra et al., 2008)</p> <p>4. <i>Using the Internet as sales channel also decreased the costs resulting from the host country environment, such as the lack of legitimacy of foreign firms and economic nationalism. It has been proposed that Internet make firms stateless, thus removing the source of economic nationalism (perception of being alike)</i> (Arenius et al. 2006).</p> <p>Economic nationalism refutation (evidence of the absence or opposite stance - preference for foreign goods): <i>The main impetus behind the internationalisation of this company was the attitude of the local market towards Australian products. It was felt that Australian industry is not entirely supportive of Australian products so if there is an American one which even comes close in price they will buy the American one because they will just think (cultural-cognitive taken for granted institutionalized myth) it is better regardless</i> (Andersson, Evangelista, 2006).</p> <p><i>I mean we've just started on our bamboo and a lot of people are really interested in that because bamboo is such a new concept...they don't care where it's made, it's because of what it is.</i> <i>This price consciousness and the seeming apathy about whether or not the product was made in New Zealand meant that entrepreneurs often could not sufficiently capitalise on the local manufacturing aspect and essentially could not pass on all of the increased costs to consumers</i> (Kirkwood, Walton, 2010)</p> <p><i>Ironically, it was hard for us to sell in Asia even though we were originally born in Singapore . . . We needed an American image as well</i> (Bingham, 2009)</p> <p>Strategic response to economic nationalism by decoupling: <i>On the Net, we have an American domain so we actually appeal to American companies; we also have an Australian domain which links to the same site. Nearly half of our hits are American</i> (Evangelista, 2005)</p> <p><i>All these companies were buying from American companies. So we needed, as a point of reference, an American office and some American customers</i> (Bingham, 2009)</p>

Table 9. Legitimacy and the media

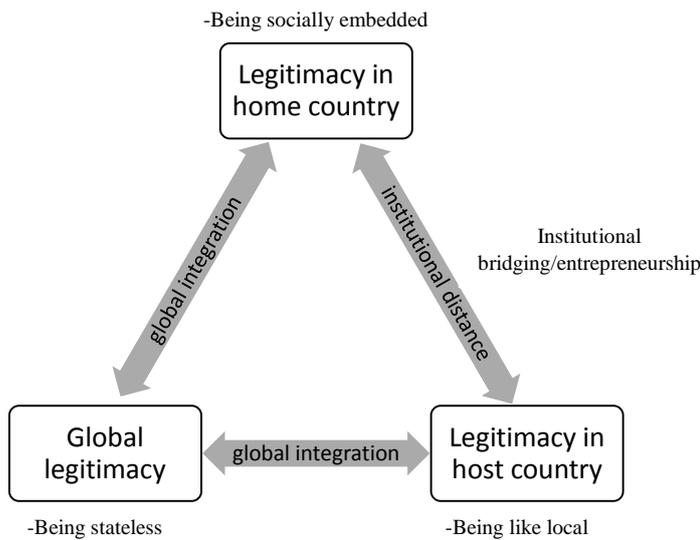
Articles	Vocabulary used	Implied institutional concepts /arguments	Exemplary evidence (original text in italics)
Evangelista, 2005 Fletcher, 2004 Gabrielsson & Pelkonen, 2008 McGaughey, 2007 Spence & Crick, 2009 Schweizer et al., 2010 Andersen, Rask, 2014 Oxtorp, 2014 Hagen, Zucchella 2011 Kumar 2012	Press Media Radio Television Newspaper Publicity Visibility	Media and public relations as a source of legitimation	<p><i>If we developed this product in the UK, our marketing effort would be a lot less onerous than they are in developing the product here. The Australian <u>press is positively underwhelmed</u> by what we have developed (Evangelista, 2005)</i></p> <p><i>The key is that you get to key markets first, start that conversation, let the words spread. You are getting <u>press coverage</u>, people are noticing you and that helped us a lot (Spence & Crick, 2009)</i></p> <p><i>It was not long before the <u>national media picked up the story, including segments on radio stations and national television</u>. Despite the strong endorsement of EFA in 1982 as an innovative and proactive Australian exporter, in 1986 the legitimacy of EFA's activities was challenged... the negative assessments in Australia of EFA's activities 'spilled over' to operations in South East Asia (McGaughey, 2007).</i></p> <p><i>We competed with other Swedish companies on who opens the next office in the next country there. In reality we had nearly no production, no people, just the office address. Yet, <u>when we send a press release, our stock price rose 10%/every opening</u>. Crazy times, I must say (Gabrielsson & Pelkonen, 2008).</i></p> <p><i>We also did an element of advertising in certain key publications but more importantly we produced a number of press releases and structured the company so that it appeared as an international organization (Fletcher, 2004)</i></p> <p><i>We were pioneers in this business and we were lucky to get a positive article in the local newspaper. Then, almost overnight, sales exploded (Schweizer et al., 2010)</i></p> <p><i>Given the novelty of the company's products, many magazines have been very cooperative in featuring press releases or carrying out interviews. This publicity provided and still provides exposure that would otherwise be impossible for such a small company (Hagen, Zucchella 2011)</i></p>

The least evidential but not less important source of legitimacy is the media. Positive (or negative) reaction of the local media spread the legitimacy (or illegitimacy) of a certain actor and his behavior across wider circles of external stakeholders. Appealing to the common values and norms of the (local) community or its specific group the media as a responsible corporate citizen is strongly involved in (de-)legitimation of economic agents and their behavior. If expected and positively valued actions of a firm are spread by the media it leads to benefits from the external stakeholders, such as increase in demand and stock prices. Moreover, at the same time the media serves as a bank and recorder of the societal norms and values, thus it could be used for obtaining such a tacit institutional knowledge related to public's attitudes and sensitivity towards certain practices and behavior of economic entities.

4.3 Legitimacy in international entrepreneurship

During our review process we have revealed that one of the most frequently mentioned and implied institutional concepts within the whole range of articles is legitimacy. Based on the evidence provided we were able to interpret and integrate the finding into evidence-based conceptualization. In their home countries new ventures are socially embedded in a natural way that gives them certain advantages against foreign firms. Accordingly, foreign firms under institutional pressures conforming to societal expectations by recruiting local labor force, forming joint ventures with local firms and other means. Meanwhile, in some countries, where international (or firms from certain countries) are more desirable than local ones, it could be preferable to exhibit your international identity or trying to look like a firm from a more desirable country (Figure 1).

Figure 1. Legitimacy in international entrepreneurship



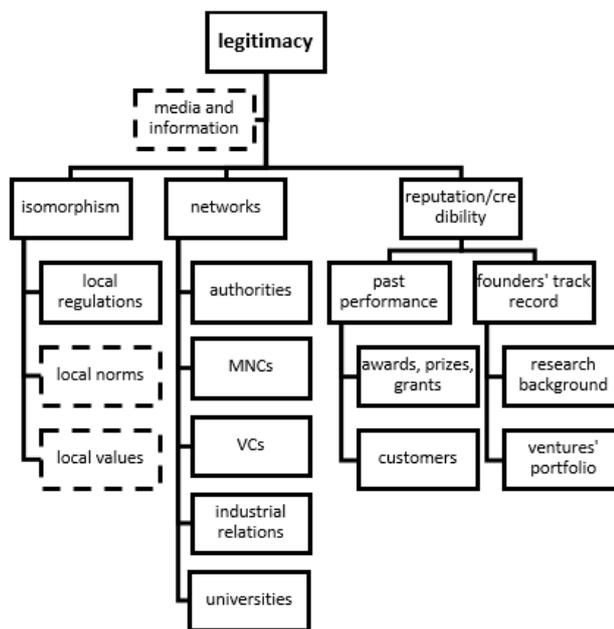
However, in truly globalized industries or sectors the need to conform to a certain host country environment is much lower, but there are different set of institutionalized pressures that have more universal (global) nature. Being seemingly stateless or multidomestic, having headquarters and representatives around the globe, including lead markets would be a viable option, while the firm should follow the industry standards

and practices instead of national institutional ones. When the firm's national institutional environment is aligned with global values, norms and regulations, then it is much easier to bridge the distance between the firm and global markets. Moreover, in this situation the risk of one's own perceptual bias is minimal. Otherwise, when there is large institutional distance between countries, entrepreneurial cognition upon the process of foreign market assessment prior to internationalization is exposed to biased expectations and evaluations, which are mostly come from improper translation of previous experience from another timeframe or context, belief in the law of small numbers based on the first impressions of the activities, and illusion of control under circumstances based on the domestic experience (Milanov & Meissenhalter, 2014). Biased pre-entry perception of the market could be harmlessly (for legitimacy) adapted on initial stages of internationalization if the relevant an on time feedback from the host country environment is properly absorbed and internalized in firms' internationalization strategy. Actions based on mistakenly anticipated institutional environment should be better corrected before a firm got under social and media scrutiny (low level of visibility), otherwise the loss in legitimacy is hardly recovered. The evidence obtained from the reviewed studies also allowed us to capture three possible streams of legitimacy building strategies in a certain country (Figure 2).

An ideal case imply simultaneous isomorphism to host country institutional environment, network embeddedness with legitimate others and reputation built by past performance and founder's track record. On top of these factors media should transmit all these positive signs to wider circles of external stakeholders. Undoubtedly, there are not many of international entrepreneurial firms which could meet these ideal requirements and luckily for others in order to be legitimate they don't have to. On the other hand, the single mistake could ruin one's legitimacy and it would be extremely difficult to regain the legitimate status. Being a new firm with no past performance, established network and entrepreneurs that are not well-known in foreign countries, it is extremely important at least to be isomorphic with expectations of a narrower circle of your stakeholder, including your customers and regulators in the host country. Being extremely careful with first

orders firms could gain a legitimate status by the reference to legitimate customers in the host countries. Moreover, legitimacy could also be obtained through a spillover from firms' domestic partners that are considered legitimate in the host countries (e.g. well-known MNCs and governmental agencies).

Figure 2. Building new ventures' legitimacy



At this point, we consider a firm being an active actor and its competence in building networks of relationships with legitimate other is vital. While pursuing the strategy of penetrating to a certain market the local media could be a vital source of information concerning local values and ideas about desirability and appropriateness of certain actors and behavior.

5 Conclusion

In this study, we have attempted to incorporate qualitative empirical evidence related to institutional influence on entrepreneurial internationalization by means of qualitative meta-synthesis. Classification of

articles in the domain of international entrepreneurship revealed almost non-existent number of articles that have explicitly employed institutional theory to explain the phenomena of entrepreneurial internationalization, whereas a substantial part of IE research contained some kind of empirical evidence related to institutional impact. Clear need to marry this implicit institutional evidence with theoretical basis motivated this research. In so doing we were able to identify key categories involved and build empirically-based conceptualization for the focal issue. While neither study is able to comprehend all the available empirical evidence even on a specific topic and match it to all the existing concepts of institutional theory, this study could play an important role in showing the way and direction for subsequent studies. Due to space limitation this article was focused on central concepts of institutional theory such as legitimacy and isomorphism, there are still a lot more opportunities exist.

During the process of reviewing and theoretical matching of available qualitative accounts we were able to reveal interesting areas for further research. One possible separate area which was deliberately left aside for further research article is the work of meaning and institutionally-based cognition relevant to the process of entrepreneurial internationalization. Second possible line of further research could address the issue of how specific actors create new and change existing systems within a certain institutional environment. Third possible research stream would be related to the task of building a more favorable institutional environment for international entrepreneurial firms around the world taking into account national specificities that could not be easily changed. Another stream of research might consider conflicting institutional logics embodied in the actual behavior of entrepreneurial firms venturing across borders, such as the conflict between commercial and artistic logics (e.g. Fillis, 2004) or green values (e.g. Kirkwood & Walton, 2010). The last but not the least in this list could be the attempt to resolve the following paradox of ambidexterity (conformation versus differentiation): Institutional pressures force firms to conform to environment making them more similar to each other in the process of gaining survival-enhancing legitimacy, whereas in order to efficiently compete entrepreneurial firms have to be unique and differentiate themselves.

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Appendix

Appendix 1. Quantitative studies of institutional impact on entrepreneurial internationalization.

Article	Geography (place of firms' origin)	Source of data, sample and method	Institutional concepts and frameworks explicitly used	Operationalization of institutions	Main finding
Terjesen, Hessels 2009	83 countries (Asian vs. non-Asian)	Secondary macro-level data: GEM, GCR; 83 countries; Regression analysis	Varieties of capitalism (VOC)	5 VOC variables from GCR: employee, inter-firm and industrial relations, vocational education and training, corporate governance (7-point Likert scale, single- and multi-items scores)	Higher proportions of export-oriented entrepreneurial activity when industrial relations are more flexible, training institutions are of a high quality, and labor-employee relations are confrontational.
Hessels, Terjesen 2010	Netherlands	Survey -owners, manager; 871 SMEs; Binominal logistic regressions	Isomorphism, organizational field, legitimacy	Perception of globalization of home market: - domestic competitors, customers and suppliers operate abroad. - foreign competitors in the home market. -use of foreign suppliers. (0 or 1)	SME operating in an organizational field that is perceived as being increasingly global are more likely to export
Coerduero y, Murray 2008	UK and Germany	Survey – CEO or chairman; 18750 entries of 375 new-technology-based firms; Binary logistic regression, rank-ordered logistic regression, survival cox regression	Regulatory environments as one of the institutional dimensions, studied separately	Legal system tradition, political risk, and IPR protection in target countries	Firms choose to enter country markets offering better regulatory protection of IP, less political risks, and known legal system. Regulatory variables are much less influential on timing of early internationalization.
Ketkar, Acz 2013	36 developing countries	World Bank's Enterprise Surveys; 7212 SMEs; Hierarchical linear modeling	Institutions as a country-level governance infrastructure	Institution as an average of six indicators: political stability, rule of law, regulatory quality, corruption, government effectiveness, and voice and accountability (Worldwide Governance	Developed institutions support the internationalization of SMEs from more masculine and individualistic countries.

				Indicators by World Bank)	
Shirokova, Tsukanova 2013	29 transition economies	BEEPS; 9877 SMEs; regression	Regulatory environments as one of the institutional dimensions, studied separately	Tax rate, tax administration, judicial system, business licensing and permits, and corruption as obstacles to business development (5-point Likert-scale)	The higher the perception of tax and corruption, the lower the degree of internationalization.
Nguyen et al. 2013	64 Vietnam provinces	Secondary nation-wide data; 578 manufacturing private-owned SMEs; Hierarchical linear modeling	Sub-national institutions serving as push and pull factors for internationalization	Provincial institutions: bias towards state-owned firms, provincial transparency and information provision	Simple export strategy does not indicate better performance, while exporting becomes a viable strategy once the domestic market is too dominated by state-owned enterprises.
Cardoza, Fornes 2011	Ningxia, China	Survey; 160 senior managers and directors of SMEs; regression	'Institution-based view in strategy'	Institutions within a set of barriers among others that hinder internationalization, plus governmental financial support and its role in ownership	Barriers (incl. institutions) differ from the Western countries and from other Chinese regions; varied barriers for crossing regional and national borders
Volchek, Jantunen, Saarenketo 2013	North West Of Russia	Survey; 188 SMEs	Regulative, normative and cognitive dimensions of institutional environment, institutional distance	CIPE (Busenitz et al. 2000) with three items excluded; institutional distance by three dimensions between home country and country of the first entry	Regulative dimension has no impact on internationalization, while cognitive has.
Volchek, Saarenketo, Jantunen 2015	27 emerging economies	Secondary macro-level data: GEM, GCI, IEF, EDBI; PLS-SEM	Regulative, normative, cognitive, cultural, conducive environments	Number of the latent constructs designed in a reflective manner.	Regulatory environment positively relates to internationalization; normative attitudes towards entrepreneurship negatively affect internationalization as does individualistic value orientations. Conducive institutional pillar - insignificant.

Publication III

Laine, I., and Galkina, T.

**The Interplay of Effectuation and Causation in Decision Making: Russian SMEs
under Institutional Uncertainty**

*Accepted for publication in the proceedings of the Academy of International Business
2016 Annual Meeting, (June 27-30 2016, New Orleans, LA, USA) through a double-
blind peer review of the full paper.*

(A revised version of the paper is currently in journal review process)

The Interplay of Effectuation and Causation in Decision Making: Russian SMEs under Institutional Uncertainty

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The institutional context of Russia and the recent regime of foreign trade sanctions makes it a natural laboratory to study change in decision making regarding the international activities of SMEs. This research explores how the increased institutional uncertainty is evaluated, enacted and responded to by SMEs that are heavily involved in relations with international suppliers. This longitudinal multiple-case study reveals that although firms simultaneously use both causation and effectuation in their decision making, an increase of institutional uncertainty boosts effectuation. The study shows that the intensity of both types of decision-making logic varies along the studied period in accordance to changing perceptions of institutional uncertainty. Also, the studied firms use effectuation logic differently enabling us to distinguish two types of effectuation with contrasting performance implications: opportunity-driven effectuation and survival effectuation.

Keywords: effectuation; causation; decision making; institutional uncertainty; Russia

1 Introduction

Changing institutional conditions and the related uncertainty are usually considered harmful to business enterprises, especially to resource-constrained small- and medium-sized enterprises (SMEs) (Aldrich and Auster 1986; Welter and Smallbone 2011; Verreyne et al. 2016). While some firms struggle to survive in such conditions (Farashahi and Hafsi 2009; Shane and Foo 1999), others are able to exploit the associated imperfections entrepreneurially for their own benefit (Aggestam 2014; Sine and David 2003). Although the issues of strategic response to institutional processes (Oliver 1991) and organizational adaptation to changes in firms' business environment (Brunk 2003; R. E. Miles et al. 1978) have been extensively studied in previous decades, what differs in their approaches to the management of uncertainty and what helps some firms turn threats into opportunities has attracted scant research (Kalantaridis and Fletcher 2012). In this paper, we suggest incorporating an entrepreneurial theory of effectuation to explore how smaller firms adjust their decision making and react to increased institutional uncertainty.

Although effectuation is after fifteen years of research still in a nascent phase of development (Arend et al. 2015; Read et al. 2016), it represents a considerable paradigmatic shift in understanding entrepreneurial behavior and decision making at the stage of starting new business and/or acting under high uncertainty (Dew, Read, et al. 2009; Dew, Sarasvathy, et al. 2009; Perry et al. 2012; Read et al. 2009; Sarasvathy 2001). Effectuation has been applied to understanding innovation processes not only in SMEs at the entrepreneurial level (Berends et al. 2014; Deligianni et al. 2015; Roach et al. 2016), but also in large companies at the corporate level (Brettel et al. 2012; Svensrud and Åsvoll 2012; Werhahn et al. 2015). The theory of effectuation has also expanded into the domain of International Entrepreneurship (IE) and has shown its potential to help explain the phenomenon of SMEs' internationalization (Andersson 2010, 2011; Chetty et al. 2015; Galkina and Chetty 2015; Kalinic et al. 2014; Sarasvathy et al. 2014; Schweizer et al. 2010). Based on the assumption that internationalization resembles entrepreneurship, these studies apply effectuation theory to explain the expansion from domestic to foreign markets. However, effectuation has not been used to examine so-called inward internationalization (Welch and Luostarinen 1988), exploring the decision making of entrepreneurial firms related to their international supply operations.

According to Sarasvathy (Sarasvathy 2001, 2008), effectuation and causation are constantly balanced in entrepreneurial action, and the same person can employ both logics interchangeably depending on the uncertainty of the circumstances. In line with this, further studies (Fisher 2012; Perry et al. 2012) have shown that causation and effectuation are not exclusive opposites or inversions of each other but can be balanced and co-exist simultaneously in entrepreneurial activities. However, the change from one logic to another, their paradoxical interplay and dynamics over time have received scant attention within effectuation research (Read et al. 2016).

To compensate these research deficiencies, the present study explores the dynamic interplay between causation and effectuation in SMEs' decision making on their foreign suppliers caused by regulatory shifts

and increased institutional uncertainty. We conduct a longitudinal study of small import-dependent firms from Russia and follow the process of change of their international suppliers; this change is triggered by the imposition of trade sanctions between Russia and 25 other countries imposed in spring 2014. Therefore, in our study we do not aim at comprehensive evaluation of Russian institutional environment; rather, we narrow our scope down to one aspect of this environment, namely, trade sanction. Consequently, we do not focus on the entire complex of decision making in our case firms but examine only those decisions that are affected by the sanctions. Thus, we establish a link between changes in micro-processes and changes in macro-environment.

By adapting this processual approach (Langley 2009), the study aims to make several important contributions. First, we aim to contribute to effectuation research by exploring the dynamic interplay between and co-existence of causal and effectual logics in established SMEs, an area in effectuation studies that requires greater advancement (Dutta et al. 2015; Read et al. 2016; Reymen et al. 2015). Second, our study enriches the effectuation approach to IE (Andersson 2011; Gabrielsson and Gabrielsson 2013; Harms and Schiele 2012; Sarasvathy et al. 2014) because we show that not only the outward process of internationalization resembles entrepreneurship, and thus can be highly effectual (Galkina and Chetty 2015; Schweizer et al. 2010), but also that established inward international operations can involve a lot of effectual decision making. Third, this paper serves as a timely response to the calls to study institutional change from the micro perspective (Scott 2010) and to understand the effects of institutional frameworks on entrepreneurial activities across emerging economies (Kiss et al. 2012; Taïeb Hafsi and Mehdi Farashahi 2005) (Farashahi et al. 2005; Kiss, Danis, and Cavusgil 2012). Moreover, little research looks at firms' strategies under conditions of institutional change and upheaval (Farashahi and Hafsi 2009; Keister 2002; Newman 2000). In our study, we focus on Russian SMEs and their decision making in international supply operations under the recently introduced regime of economic sanctions. This focus also creates space for the empirical contribution, because knowledge on the international activities of Russian SMEs remains scarce in the IE domain (Mihailova et al. 2015; Shirokova and McDougall-Covin 2012; Volchek et al. 2013); moreover, the conditions of the recent sanctions regime have added even more blind spots to explore.

2 Theoretical Background

2.1 The Interplay between Causation and Effectuation

The theory of effectuation started to develop at the end of the 1990s and the beginning of the millennium (Sarasvathy 2001). This theory introduces effectuation as a means-driven non-predictive logic of entrepreneurial reasoning that is an alternative to goal-driven causal logic. Sarasvathy (2001, p. 245) stipulates that "causation processes take a particular effect as given and focus on selecting between the means to create that effect. Effectuation processes take a set of means as given and focus on selecting

between possible effects that can be created with that set of means.” To clarify this difference further, she also states that “causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct” (Sarasvathy 2008). Effectuation logic follows four principles – means-driven action, reliance on networks and strategic alliances, affordable loss, and leveraging contingencies – which are discussed in contrast to the four respective principles of causation, namely goal-driven action, reliance on competitive analysis, counting expected returns, and exploiting pre-existing knowledge (Sarasvathy 2001, 2008).

Although Sarasvathy (2001, p. 245) indicates that “both causation and effectuation are integral parts of human reasoning that can occur simultaneously, overlapping and intertwining over different contexts of decisions and actions,” effectuation studies have not specifically focused on examining their simultaneity (Read et al. 2016). In the received literature, effectuation is mainly seen as a decision-making logic prevailing during the initial stages of business formation when the level of uncertainty about the venture, the product/service and the potential market is rather high (Sarasvathy 2001, 2008). Sarasvathy (2008) compares effectuation in entrepreneurship to the first and the second gears in a car, which are needed to start it. Further, along the next stages of business development, when the firm becomes more established and there is more certainty about its internal processes, management team, suppliers, customers, market infrastructures etc., and the goals of entrepreneurial activities become more articulated and certain, strategic goal-oriented reasoning becomes more relevant and the logic of decision making becomes less effectual (Sarasvathy and Dew 2005; Sarasvathy 2008). However, does it become causal? This transition and the dynamics of interplay between causation and effectuation is questionable, particularly in light of the study by Perry et al. (2012) who argue that causation and effectuation are not the opposite ends of a continuum but have an orthogonal, or independent, uncorrelated relationship. This means that one can be present without the other or both can be present at the same time with varied intensity.

There have been few studies empirically examining the co-existence of causation and effectuation and not seeing them as competing approaches. Thus, the case study by Fisher (2012) shows that despite the prevalence of effectuation and bricolage in the decisions and actions of entrepreneurs as they developed and created their new ventures, the entrepreneurs also used causation logic to some extent. Another study by Reymen et al. (2015) argues about the “hybrid” decision making that combines both causation and effectuation along the process of new venture development; they show that both logics can appear, reappear and co-occur with different degrees of intensity. Also, the perceived uncertainty explains the shifts in the dominance of one over the other. Although these studies provide valuable insights on the simultaneity of causation and effectuation, insufficient research is devoted to under what conditions does one logic dominate the other, and what is their optimal combination for effective performance (Arend et al. 2015; Perry et al. 2012; Read et al. 2016).

2.2 Effectuation Approach in International Entrepreneurship

The effectuation approach has been expanding into the IE research domain. The main rationale behind this inclusion is the similarity between the entrepreneurial process and that of internationalization, because both occur under Knightian uncertainty, goal ambiguity, and environmental isotropy (Schweizer et al. 2010). Johanson and Vahlne (2009) note that the effectuation model has much in common with the revisited Uppsala model.

This idea gave birth to the stream of studies using effectuation to explain the phenomenon of IE. Thus, Schweizer et al. (2011) propose the entrepreneurial model of the internationalization process, which combines the revisited Uppsala model and the effectuation process. Later, Sarasvathy et al. (2014) suggest naming it the Effectual Uppsala model, and showed that there are far more similarities than differences between them. Describing the major differences, they say (2014, p. 80) that “first, the effectual process involves several cycles of interactions between stakeholders. Second, opportunities are not taken as given or exogenous to the process in effectuation”. Also, Galkina and Chetty (2015) integrate the theories through the concepts of networks and commitments. They argue that what has been previously described as serendipitous, unintended and ad-hoc internationalization is rather a conscious choice on the part of entrepreneurs to explore and exploit internationalization opportunities effectually by forming networks with all and any interested stakeholders, and without prior knowledge about foreign markets. Likewise, Kalinic et al. (2014, p. 635) stipulate that “‘unplanned’ internationalization does not necessarily involve non-logical decision; but entrepreneurs can follow an effectual rather than causal logic.” Another study, by Chetty et al. (Chetty et al. 2015), shows that SMEs switch between causation and effectuation in their decision making on internationalizing; thus, they tend to be more causal when they select a foreign market (as it is a problem of selection) and more effectual when they decide on foreign market entry (a problem of design). Altogether, the effectuation studies in IE represent a promising research stream that creates provocative possibilities for the field to advance (Sarasvathy et al. 2014).

2.3 Institutional Uncertainty in the Context of Russian SMEs

The institutional-based view of the firm has been studying the interactions between institutional frameworks and business strategy and decision making (DiMaggio and Powell 1991; Oliver 1991; Peng et al. 2008; Scott 2014). This view has also diffused into entrepreneurship; and, according to Welter (2011, p. 166), “context is important for understanding when, how, and why entrepreneurship happens and who becomes involved” because historical, temporal, institutional, spatial, and social settings can aid or hinder entrepreneurial actions. Likewise, Buzenitz, Gómez, and Spencer (2000) indicate that national differences are important in gaining knowledge about entrepreneurial phenomena by addressing not only cultural differences but also the broader construct of country institutional profiles including regulatory, cultural-cognitive, and normative dimensions. Bruton, Ahlstrom, and Li (2010) argue that, currently, institutional

theory has three major streams in contemporary entrepreneurship research: the first deals with the enabling and constraining effects of institutional settings on venturing activities; the second stream focuses on the legitimate methods of ventures' operations; the third studies institutional entrepreneurship. However, institutional theory has not been used widely enough in IE (Volchek et al. 2013).

In this article, we understand an *increased institutional uncertainty* as a heightened level of unpredictability in terms of regulative, normative and cultural-cognitive elements of institutional environment. In particular, we focus on the part of institutional environment related to the introduction of sanctions; an increased institutional uncertainty at a particular period means that firms are less able to predict what will happen with regulative (how long sanctions will hold as regulative restrictions), normative (what will be the norm in their industry as a common way of coping with sanctions) and cultural-cognitive (is it good for the country to supply from abroad at all or from particular countries) institutions neither in the long-term nor in the short-term. This kind of institutional uncertainty can be characterized as structural (as opposed to parameter uncertainty when only some inputs are unknown) because the old *rules of the game* in the business environment have been knocked down, but new ones need time to emerge and institutionalize (Duncan 1972; Luo 2003). Such institutionalization of new rules of the game serve to reduce structural uncertainty by defining new boundaries of what kind of behavior is considered legitimate.

Hafsi and Farashani (2005) argue that emerging economies, such as Russia in this article, represent a special case because their institutional frameworks are often comprised of unfinished and conflicting elements that contradict existing traditional institutions, create constant contentions at all levels, and lead to institutional voids. Radical regulatory punctuations (Haveman et al. 2001) create an atmosphere of instability and high uncertainty, and impose liabilities of "localness", that is costs associated with surviving after exogenous regulatory shock and sudden state constraints on business operations (Perez-Batres and Eden 2008). The Russian institutional environment has been recognized as highly unstable and turbulent throughout the years following the collapse of the Soviet Union, and also during the more recent times of Putin's presidency. For instance, Salmi (1996), Johanson (2004) and Hallèn and Johanson (2004) show that the radical political changes and the shocking shift from planned to market economy forced Russian companies to rethink their chain of activities, find new customers and suppliers, and quickly learn new business competencies and skills. In the new millennium, even though the Russian economy exhibited some growth, the perceived level of turbulence and instability has not decreased for SMEs (Galkina and Kock 2014; Jumpponen et al. 2008). For instance, Astrakhan and Chepurensko (2003) stipulate that the main external constraints for Russian small businesses stem from the high level of bureaucracy, undeveloped and constantly changing legal regulations and taxation rules, and insufficient access to external finance. Similarly, Hunter (2003) talks about poorly defined property rights and undeveloped market institutions as the main hindering factors for entrepreneurship in Russia. Consequently, the number of Russian small entrepreneurial firms is stagnating if not decreasing, and the national economy is highly dominated by huge

state-owned firms (Jumpponen et al. 2008; Kontorovich 1999). According to Jumpponen et al. (2008, p. 115), the natural response of Russian SMEs to this turbulent environment is either proactive strategic work and strong management or reactive drifting with “hope for the best”.

In line with this, Volchek et al. (2013) show that in this uncertain institutional environment it becomes challenging for Russian SMEs to pursue international opportunities, due to both cognitive and normative barriers. Thus, Russian entrepreneurs often have insufficient knowledge of foreign markets and the risks associated with international activities, due to the lack of educational and training programs for entrepreneurs. The normative barriers relate to the negative attitudes toward entrepreneurship as a career path in general, and the perceived normative distance between Russia and other potential countries for internationalization. Similarly, the study by Mihailova, Shirokova, and Laine (2015) emphasizes the primary role played by institutional factors in the internationalization of new ventures from Russia, and highlights the more complex nature of their impact. The study reveals that institutional factors are not only directly connected to the degree and scope of internationalization, but also shape their relationships with other factors specific to the entrepreneur, firm and industry, such as international experience, social networks, product innovativeness, and industry technological intensity. Likewise, Shirokova and McDougall-Covin (2012) underscores the importance of the domestic institutional environment to Russian SMEs undertaking international activities. Their findings show, for instance, that the significance of network relations with foreign partners is rather low, because Russian entrepreneurs usually have a rather limited number (if any) of foreigners amongst their entrepreneurial connections. Also, relations with Russian immigrants living outside Russia play no significant role in the entrepreneurs’ international activities. Another internationalization barrier for Russian SMEs, which relates to the non-domestic institutional context, concerns the generally negative image of Russian entrepreneurs held by foreigners, which forces the SMEs to demonstrate honesty and transparency in order to establish trustworthy business relations.

Overall, the Russian entrepreneurial climate can be characterized by the high level of instability and institutional uncertainty, which makes it rather unfavorable. In addition, the recently introduced and reinforced regime of trade and financial sanctions between Russia and 25 other countries¹ qualifies as regulatory punctuation (Haveman et al. 2001, p. 254), and has made the business climate for SMEs in the country even more unpredictable and turbulent. However, recently Russian government introduced special long-term development plans for twenty sectors of the economy with specific measures directed towards import substitution, thus decreasing uncertainty for industrial actors (Voloshin 2015). The federal government is trying to involve local administrations in taking an active part in the program facilitating

¹ The full list of the countries imposing the regime of sanctions on Russia can be seen at https://en.wikipedia.org/wiki/International_sanctions_during_the_Ukrainian_crisis

inter-regional collaboration and matchmaking procedures. While state-owned enterprises have been partially forced, encouraged, and self-enforced to follow the major trend of import substitution in the Russian economy, private entrepreneurial businesses have also been encouraged by opportunities to fulfil the emerged unmet demand. Under these conditions, Russian entrepreneurs/managers whose firms are highly dependent on imports have experienced dramatic changes reflected in their business strategies and decision making (Năsulea et al. 2015; Tuzova and Qayum 2016). We now present an empirical study of Russian SMEs coping with this institutional uncertainty due to sudden regulatory shift, and show the change in their decision making regarding their relations with international suppliers.

3 Methodology

3.1 Rationale behind research strategy

At the outset, our research design implied rather broad inductive exploration of the contemporary empirical phenomenon aiming to reveal how SMEs' decision making change in reaction to the imposed sanctions affecting their international business. We conducted a multiple-case study that is an appropriate strategy for the inductive and exploratory nature of our research goal (Eisenhardt and Graebner 2007; Eisenhardt 1989; Yin 2014). Initially, we had no intention to test any new propositions or hypotheses; we rather aimed to investigate an empirical highly context-specific phenomena. The institutional context of Russia, especially in relation to the recent economic crisis and the introduction of the regime of trade and financial sanctions, has made it a natural laboratory to investigate how the changing institutional environment is evaluated, enacted and responded to by entrepreneurs in charge. Thus, the turbulent and fast changing business environment with increased uncertainty enables us to investigate how decision-making related to their international activities is affected. In addition, the adaptive design and open-ended nature of the case study strategy (Yin 2014, p. 65) allowed for iterative theoretical and empirical choices and for reconsideration of the focus of the study; hence, the studied phenomenon and related context were "brought to light gradually in the investigation" (Fletcher and Plakoyiannaki 2011, p. 183). Additionally, while building our explanations from observed "patterns in events, activities, and choices over time" (Langley 2009, p. 409), we applied a process lens to our study in order to enable the examination of a phenomenon within its real-life continuous contextual reality (Blazejewski 2011; Gummesson 2000; Pettigrew 1990; Stake 1995; Yin 2014). The fit between applied methodology and chosen theoretical perspective (Edmondson and Mcmanus 2007) was also assured by nascent stage of effectuation theory development (Arend et al. 2015; Perry et al. 2012; Read et al. 2016) and use of the case study approach in the other studies incorporating effectuation into IE (Andersson 2011; Gabrielsson and Gabrielsson 2013; Galkina and Chetty 2015; Kalinic et al. 2014; Nummela et al. 2014; Sarasvathy et al. 2014; Schweizer et al. 2010).

3.2 Case selection

We employed purposeful (criterion) case selection coupled with replication approach; the cases were selected for a specific reason and had a special significance to the study while convergent evidence was sought (Fletcher and Plakoyiannaki 2011; Patton 2015; Stake 1995; Yin 2014). Serving the purpose of the study the criteria for case selection were: 1) private SME with less than 250 employees (The Federal Law of the Russian Federation, 2007); 2) sufficient history and volume of international supply operations; 3) vulnerability to the institutional changes and need to rearrange supply side of operations; and 4) willingness to participate in the study. The abovementioned case selection led to identification of four firms from four different industries (shipbuilding, import of food ingredients, import and retail of leather goods, and IT hardware distribution) for further analysis.

We started our data collection inductively approaching the contemporary empirical phenomena of how changes in institutional environment caused by the imposed sanctions influence decision-making within focal firms. During our initial interviews with case companies, we did not stick to one particular theoretical perspective; however, after initial data analysis we came to conclusion that all our cases revealed substantial evidence consistent with theory of effectuation. Our choice for this particular theory stays in line with previous research showing the evidence of effectuation in turbulent context (Mainela and Puhakka 2009). Literal replication of the emergent pattern (i.e. increasing effectuation, albeit of a different levels and character) in all our cases (Yin 2014) showed that the identified effect of increased institutional uncertainty on the decision-making logic was not specific to a particular industry. At this point, we decided to narrow down our research focus and perform more nuanced and fine-grained analysis relying on existing knowledge within effectuation literature.

The initial analysis of the data from four case firms showed that two of them were more pronounced and indicative due to their criticality (higher degree) of internal changes and at the same time had drastically distinct performance expectations at the moment of data collection. As a result, these two firms were selected for further analysis because they represented more illustrative cases in terms of undergoing change and contrasting cases in terms of performance implications (maximum variation sampling, cf. Patton 2015), thus making the phenomenon of interest *transparently observable* (Eisenhardt and Graebner 2007; Eisenhardt 1989; Pettigrew 1990) and eventually comparable (Patton 2015; Yin 2014). At this later stage of the case study project, we were particularly interested in conceptualizing longitudinal interplay between effectuation and causation in SMEs under conditions of increased institutional uncertainty and theorizing why effectuation might lead to different results. We withdrew the two other cases from the report for the sake of depth of further representation; they did not yield to the substance of the findings at that stage while only providing mere (albeit valuable) replication at the previous stage. Thus, the study reported below represents two in-depth and contrasting cases of Russian SMEs that are deeply involved in relations with their foreign suppliers. Key characteristics of the case companies are summarized in Table 1.

Table 1 Key information on the case companies

	Company A	Company B
Industry	Shipbuilding	Food ingredients
Sector	Business to business	Business to business
Established	2004	1997
Number of employees	50 (increasing)	150 (volatile)
Export intensity	5% (increasing)	10% (volatile)
Import dependency	90% (decreasing)	100%

3.3 Data collection

The sustained access to data was achieved using our close social ties such as family and friends. The reason for using these very personal connections was the high level of trust gained from the informants and their willingness to share their stories; it was important to assure rich and in-depth data, which might not be the case when talking to an unfamiliar researcher. This tactic of gaining data access in the Russian context is also recommended by Johanson (2011, p. 515). We monitored the case firms on a continuous basis since 2013 for the purpose of our past studies; this information serves as secondary data for the present research (see Appendix 1), and imbues the study with an additional retrospective and longitudinal horizon.

Specifically, the primary data were collected through two rounds of semi-structured personal interviews with executives/managers of the participating firms (see interview guide in Appendix 2). The first round of interviews was conducted during April-May 2015, and the second more specific round during October 2015, a period of approximately six months between them. Each interview lasted between 25 and 90 minutes, was recorded, and later transcribed. We do not provide an interview guide for the second round of interviews because their format was follow-up conversations tailored to each company based on the specific first-round data. Further, the second round of interviews included discussions on particular decisions and changes within the firms, how the situation in the external environment had changed since the first round, and the current perceptions of the interviewees on the development of the firms and their business environment. Additionally, we addressed issues of performance implications and revisited a greater part of the issues from the first round of interviews for dynamic comparisons. We also accompanied the second-round interviews with the list of criteria for causation and effectuation developed by Fisher (2012) (see Table 3). Prior to the interviews, we asked respondents to match each criterion with three periods in time: before sanctions were introduced, first year of sanctions, and present situation. This list allowed us to grasp the dynamics of change in companies' behavior and decision making, and served as the supplementary information to discuss during the interviews.

Due to the informal relations with the informants, we had the possibility to conduct a number of follow-up conversations separated in time in order to clarify information from interviews or get a more detailed picture of the cases (see Appendix 1); this introduced an element of abduction and sequential

comprehension of the focal issue. Altogether, we conducted nine main interviews and ten follow-up interviews accompanied by verifications via e-mails and internet-chat conversations, which resulted in 585 minutes of audio records and 263 pages of text (Times New Roman, 12 point) that included interview transcripts, extracts from electronic messages, and notes from the interviews.

Primary attention was given to the period starting six months before the first sanction restrictions were introduced in summer 2014 and about a year thereafter. We were able to formalize our research stance only after the external shock took place. Thus, ex-post retrospective analysis has been applied to the periods before we stepped in, whereas real-time study was used to capture ongoing processes and related decision making.

In order to avoid validity problems related to separating data collection from data coding (Miles 1979), we performed both data collection and interview transcription ourselves. Informants were made aware they were being recorded. All the interviews were conducted in Russian, the mother tongue for all the parties involved. Since both data collection and analysis were performed in the same language native to all the participants, we did not incorporate translations and back translations. In addition, we engaged in extensive discussions within our research team and with firms, trying to challenge each other's ideas, find confounding factors and discuss rival explanations. For example, we looked for alternative explanations for consequences to performance, and our second round of interviews helped resolve this when we needed additional data and clarifications from case companies.

Being close to founders/managers of the selected firms was also important for the reliability of the responses from the interviewees. We triangulated the data received from the interviews with the secondary sources (company webpages, reports, presentations, data from preceding studies), as suggested by Huber and Power (1985) and Yin (2014). To verify the accuracy of the answers and additional insights, we sent all the interview transcripts back to our informants; additionally, we cross-checked factual data obtained from our interviewees with secondary sources.

3.4 Data analysis

In order not to dilute the richness of our data and to ensure the robustness of its analysis, we combined both manual and electronic methods, as suggested by Bazeley and Jackson (Bazeley and Jackson 2013). The manual data analysis included within-case and cross-case displays, field notes, and comparative tables in order to find patterns and/or contrasting themes in the data (M. B. Miles et al. 2014). The electronic analysis was based on NVivo software. The themes identified in the literature served as a basis for descriptive codes, which were then identified in the transcripts. For instance, the codes included goal-oriented decision, non-goal oriented decision making, uncertainty, institutional change, risk, network relations etc. In addition, for triangulation we incorporated some elements of quantitative data and their analysis into our otherwise qualitative study. This relates to Table 3 and counting the relative use (percentage) of causal and effectual

logic in decision making along the studied period. Although Table 3 facilitated our analysis, the qualitative data are of primary significance in the study. The next section presents the results of our study.

4 Results

4.1 Company A

The former high-ranking naval officer established Company A as a privately owned firm 12 years ago in St. Petersburg, and since then he has been acting as its CEO. As a small company in the shipbuilding industry, Company A served mainly as a subcontractor for shipyards located in Russia and several CIS countries. The global shipbuilding market characterized by higher customer power and demand saturation enabled the firm to establish good partnering relationships with leading producers from Europe and the UK. Nowadays, the firm estimates its dependency on imports is as high as 90%, has a flat structure, and around 50 employees divided between two units – the main office and a small production workshop. The volume of exports in overall turnover has recently increased to 15%, whereas from the very beginning the figure was always around 5%.

After the trade sanctions and Russia's import substitution program came into force, the firm had to rearrange its own supply portfolio. Previously established partnering relationships with world-leading producers from Europe and the UK were no longer available for most of the ongoing projects, while searching for reliable substitutes was not an easy task. Building new relationships with local suppliers and those from markets not affected by sanctions, such as China, was a new area for the company. One of the managers directly involved in supply illustrates this as follows:

A1: Through the years, we were intensively using our portfolio of established relationships, where everything was stable, predictable and arranged according to a given plan of actions. Recent changes pushed us out of our usual comfort zone to a new world where we have to change our usual ways of doing business as if we have just started, especially in dealing with new suppliers. Despite we are trying to maintain relationships with our established net of western partners, we often have to look for new suppliers elsewhere. (Project manager, first-round interview)

Below, one of our interviewees provides an example of emerging challenges in doing business with new suppliers from China:

A2: Couple of years ago, we occasionally got to know one Chinese supplier who claimed their capacity for building diesel generators. That time we as well as others in our industry didn't even consider ordering diesel generators anywhere else except our Western partners, but in current situation we decided to try this option. Before signing a big contract, we ordered a test model of a diesel generator and paid the first payment of 30%, which was \$ 13,000. When we signed this small contract, we knew that in the worst case, we would not have lost much. Afterwards, when we came to see this diesel generator to their premises, what we saw in practice was far from what we had expected; thus, we decided to shut down this cooperation. (Project manager, first-round interview)

By converting recently accumulated experience of dealing with suppliers from China into a simple articulated heuristic, the manager shows that the firm has learnt from its experience:

A3: Chinese equipment, in contrast to any Western proposal is cheaper, but it does not have the same exhaustive description. The Chinese are trying to play on the incompleteness of the information supplied on their equipment, but in fact, it turns out that something does not fit you, and then they claim more money to fix it. Chinese style of work is not the same as of Europeans and if you try to deal with them the way you do with Europeans, they deceive you. Now we do understand common risks in working with Chinese suppliers and we have some methods mainly based on greater control. (Project manager, first-round interview)

Meanwhile, Company A had a well-established relationship with one Chinese firm, and this partnership turned into a competitive advantage when, overnight, European suppliers became unavailable to everyone. Reduced uncertainty and a degree of trust embedded in this link helped increase volumes of orders from this supplier at a lower level of risk, and fulfil the unmet demand in the market. This link leveraged at the time of utmost importance created new opportunities for Company A:

A4: As far as recently we were able to snatch some additional orders due to our immediate ability to scale up deliveries from China, we got extra profits. These additional profits allows us to speed up the building of our new higher-capacity manufacturing plant and development of own products with increased level of localization, whereas in current situation, we expect much higher returns on these investments. Despite we cannot estimate our future costs and returns, we have already secured some orders for developing products that are going to be ready only in 2018. (CEO, first-round interview)

Moreover, our second-round interview revealed that Company A eventually developed its relationship with the Chinese supplier, and signed a joint-venture agreement concerning production of a joint technology solution at the company's newly developing facility. The CEO also pointed out a clear understanding of the limited window of opportunity to strengthen the company's competitive position:

A5: We need to be fast, because the sanctions will not last forever and we have to ride on the wave of import substitution further. Before sanctions are lifted we have to take our chance to grab important serial projects and establish ourselves in eyes of serious shipyards, showing that our solutions are not worse. When everyone will be able to use Western brands again, we hope to be able to compete with them. We should not lose the moment. (CEO, first-round interview)

Interestingly, the CEO's opinion concerning the longevity of the sanctions later changed:

A6: It's not a crystal ball gazing. We now see that over the last one and a half years both sides have not worked on the solution for the lifting of sanctions, and it's only getting worse and worse. We are now well aware, and the West clearly expressed their position that sanctions will not be lifted as long as Russia occupies the Crimea, but Russia is not going to return it. Thus, we shape our strategy accordingly by speeding up our own R&D and production processes by all means, developing sustainable business relationships with our new Chinese joint venture partner and other new and currently-proven suppliers. (CEO, second round of interview)

Additionally, the CEO considered the alternative scenario as well:

A7: Anyway, even if the situation is somehow miraculously begin to change in the direction of the lifting of sanctions, the relationships in the industry have already changed dramatically, and long-term plans of the government in relation to import substitution, one way or another, will continue to shape a demand in our industry. Western suppliers will not be able to simply return to the Russian market, given undermined relations and trust, while growing local production, including our own, will be the priority for our customers. Thus, our strategy is fully aligned with long-term plans of the Russian government and current trends in the industry. (CEO, second round of interview)

Another issue of note is the reliance on the potential to develop new skills, knowledge and competencies internally. This point is evidenced by the following quote from the CEO:

A8: Although we feel the need for new knowledge and skills, we strive to develop them within the company, within existing resources, without wasting time and money on additional training. We stimulate organic self-development of existing employees within the company. We don't know what kind of skills would be the most relevant in few years, but I believe that at least some of our employees are able to learn and meet the demands. That is what we are paying for and it has proved to be working when we most needed it. (CEO, first-round interview)

Later, in the next round of interviews, the CEO claimed:

A9: After probing several new suppliers, and reasonably short trial and error learning period, I feel that now our project managers have become fully capable of searching and dealing with new suppliers elsewhere. Yes, we had some troubles before, but now it's becoming less problematic and more predictable. (CEO, second-round interview)

Thus, we can see that the firm acquired new knowledge and competencies learned through experience and internal self-development. In addition to active management and motivation of current human resources, new project managers with extensive experience in dealing with foreign suppliers were hired.

A10: Recently, due to redundancies and bankruptcies related to sanctions and termination of Western contracts, serious professional people have been available on the job market and we were lucky to invite some. We have hired three experienced and technically savvy managers. It turns out that we have increased the staff of project managers almost twice. (Project manager, second-round interview)

4.2. Company B

Company B is a small firm of 150 employees founded in 1997; it imports food ingredients (e.g., nuts, seeds, powders and starch, dried fruit, vegetable oils etc.) to Russia. The firm runs its own low-level production of snacks and confectionery based on the above-mentioned ingredients. About 10% of turnover stems from exporting these goods to some of the former Soviet republics. In Russia, Company B has offices in Kaliningrad, Moscow, St. Petersburg, Novosibirsk and Krasnodar. It also has sales offices in Kazakhstan and Tadjikistan. The firm evaluates its dependency on foreign suppliers at 100%; before the trade sanctions were introduced in spring 2014, the suppliers were mainly in the US and European Union countries.

Following the introduction of the sanctions, the company is continuing its import business. However, to reduce costs it had to close its production facilities in Kaliningrad and several transit warehouses there. By the time of the second round of interviews, it had also closed offices in Kazan and Krasnodar. The biggest changes relate to the change of foreign suppliers. For instance, the main supplier of almonds and peanuts was in the US. Under the sanctions regime, the firm could no longer buy from the US and had to find new suppliers in Iran and India. The search for new suppliers consumed a lot of energy and time, and the quality of goods from them is poorer at a similar price. Currently, Company B is dealing with constant complaints about the quality of the ingredients it delivers. For instance, all the plantations of peanuts in India are infected with clump virus; but there is no other country to buy from in the volumes that Company B needs. In addition, the shipping infrastructure (e.g., ports, legal documentation, sanitary inspections etc.) are not sufficiently developed to handle such large order lots from Company B. Only one year after the sanctions were introduced, the company started getting some established regular deliveries by sea and rail (the regular shipping time for a delivery is about 3 months). Besides these difficulties, Company B is also experiencing complications in importing goods that are not prohibited by sanction regulations. For instance, starch imported from Germany, Poland and the Czech Republic is constantly liable to additional inspections, which increases the time and costs involved in shipping. These numerous changes in business regulations resulted in a situation of high instability and uncertainty for Company B. One of the top managers described it as follows:

B1: Now we're surviving, and the situation is very unstable. Before we had some stability because we had established contacts and a number of good contracts with big factories. Recently, we lost several contracts with buying firms because we just didn't have the goods to deliver. We have considerable drops in turnover because we don't have suppliers that can sell us so big volumes that we want. (Logistics manager, first-round interview)

After more than a year of operating under new regulations, she reflected on the situation in a slightly different way:

B2: Before sanctions, our business was stable, and no one expected serious changes, so we didn't change any area of our business. There was inertia, so trade and the whole business moved with this inertia. When sanctions were introduced, everyone around was panicking... so were we. Our company froze all the activities for several weeks. We didn't understand what was going on and how to act; we were afraid that during these several weeks we would lose everything. We stopped all the purchases; this was the decision of our top management because they were panicking. (Logistics manager, second-round interview)

B3: Although the situation is very bad for business now, and in some months we have zero profit, I think this crisis caused by sanctions has had a positive impact – it has forced the company to 'shake itself up', clench fists and start doing something new in contrast with the previous 'sleepy' period (Logistics manager, e-mail conversation verifying the second-round interview).

The CEO also confirmed that the firm was acting under conditions of high uncertainty, which meant it was unable to make plans and estimate future returns:

B4: *Before we had some plans and estimates. But now we don't have old contracts, and this situation does not allow to do long term forecasts about profit. The forecast and estimates are possible when a firm knows from where it would get its supplies. I think now planning does not exist at all in our company. We just know how much we would lose if our business shuts down; we don't have any goal that we're aiming at.* (CEO, first-round interview)

The second-round interviews provided some more clarification on planning and budgeting at Company B:

B5: *When sanctions were introduced, we didn't know how to proceed, we didn't have thought through plans. Before we did budgeting for one year period, after sanctions we couldn't plan at all, now we do it every month. Although the future is still unclear and we cannot estimate profit, we at least have a strict control over our spending.* (CEO, second-round interview)

Company B had tried different options and new strategies to survive in this turbulent environment (e.g., various attempts to find new suppliers, cutting costs by closing production lines, personnel redundancies, and closing some transit warehouses) but they have not been successful to date. The following quote from an interview with one of the top managers illustrates this situation:

B6: *We cannot use the old knowledge anymore. The old experience with our foreign suppliers will not help us because we need right decisions under conditions that we didn't have before. We still have good entrepreneurial spirit and energy, but we need new skills. We have already tried so many options... It is not right just to run, but one needs to run to the right direction. On our company, we have run to several directions and nowhere in the end. We just lost the strength with no result. I am very worried!* (Logistics manager, first-round interview)

This evidence of continued experimentation is also found in the second round of data collection:

B7: *Now we're trying to experiment and diversify our business not to put all the eggs into one basket; we are changing from being almost 100% importing company to having some more exporting; we're developing our export to Europe because operations are paid in Euros, and with the current exchange rate we can have better profit from it.* (CEO, second-round interview)

Our data also show the change in perception of the level of institutional uncertainty that occurred during the year operating the business under changed regulations. The first-round interviews demonstrate the following:

B8: *When sanctions were introduced, we had hysteria at the top management level. Some of them felt that everything was over and were ready to shut the whole business down. It was just a simple panic. The company fired several sales managers but now we're hiring new ones just after three months after the last one left. All the decisions are based on emotions, with no rational basis, no calculations.* (Logistics manager, first-round interview)

The second round of data collection shows slightly different opinions:

B9: *After the sanctions, the business didn't stop completely; we still have operations with foreign suppliers running, but with new ones. I cannot say that now anything has changed dramatically comparing with first months of sanction regime and the present situation... we have coped with that shock, accepted it and continue living one way or another... The panic is over, but we don't have optimistic thoughts either, our business is in constant stress, we've just got used to it. It is a bad stability, but at least it is the stability. I can compare it with running. Usually, when one starts running fast, the heartbeat rate is high and then it stabilizes and decreases. Our run is constantly at a maximum rate.* (CEO, second-round interview)

B10: *As for the relations with new suppliers, I can say that they are getting stable. But I cannot say we have workable relations, although we're buying from them, one supplier is not punctual, the other has low quality, sometimes we need to switch from one to another.* (Logistics manager, second-round interview)

5 Analysis and Discussion

5.1 Increasing effectuation

The interviewees from both firms talked about the previous period of relative stability, known ways of running the business, and an orientation towards established long-term relations with international suppliers (Quotes A1, B1, B2); this finding is supported by the secondary data. However, the introduction of trade and banking sanctions dramatically changed the rules of the game and increased the level of institutional uncertainty creating extreme conditions. Both firms were forced to terminate or reshape relations with existing foreign suppliers and find new ones. These findings together with Fisher's (2012) list of criteria for causation and effectuation that accompanied our second round of interviews (see Table 3) demonstrate the dynamics of co-existence and interplay between the causal and effectual logic of decision making in both firms.

Although both companies provided evidence for increased effectuation after the sanctions regime was introduced, we see that their approach to evaluation, enactment and response to the situation was different. While for Company A this effectuation represented an opportunity-seeking strategy and, in fact, the company turned institutional changes into new opportunities (means) and an enhanced competitive position, for Company B effectuation became a strategy to defend available means and survive.

Changing to increased effectuation, they took different approaches to developing their sets of available means. For instance, motivating the self-learning abilities of existing employees at the time of change (A8), Company A was able to develop new knowledge and skills (What I know) internally (A9). This knowledge and competencies assisted the firm in the further proactive process of searching for new suppliers (Whom I know) (A1). While the firm could not predict what kind of knowledge and competencies would be the most relevant in a few years' time, it tried to control the future by securing the development of its human capital. In due course, using an emergent contingency on the jobs market, which suddenly freed up a number of technically savvy managers with international experience, the firm was able to bring some new, valuable means on board (A10). Furthermore, in parallel to its usual line of business, Company A tried to invest further in its own production and research, developing the additional promising identity of a local producer (Who I am; A5). According to the CEO, this kind of identity is highly valued these days and will be a priority in the future (A7).

After the introduction of trade sanctions, Company B also experienced an increasing intensity of effectuation and higher reliance on non-goal oriented decision making (B4, B5). Regarding its effectual

means, it underwent some changes in identity (Who I am) because it closed production facilities and became an import-only operation; in addition, it decided to place more emphasis on exports (B7). The company also realized that its reliance on old knowledge and competencies (What I know) was no longer enough, but had not obtained the necessary new skills yet; it failed to gain sufficient expertise to operate under changing conditions or did not realize what new skills were necessary under new circumstances (B6). This comparison allows us to develop the following propositions:

Proposition 1a (P1a) Under conditions of changing institutional environment, firms undertaking opportunity-seeking effectual strategy are more likely to *gain newly relevant knowledge and competencies* earlier than firms undertaking survival effectuation strategy that can be late or even fail.

Proposition 1b (P1b) Under conditions of changing institutional environment, firms able to *gain newly relevant knowledge and competencies earlier* exhibit enhanced performance compared with firms that fail or are late to gain.

While changing from causation to effectuation, both companies maintained their strong *reliance on network relations*, which is in line with Chandler et al. (2011) who argue that the use of partnership and strategic alliances is relevant to both causation and effectuation. Under changing institutional regulations, both firms were forced to network and switch to new international suppliers. However, similar to the findings by Bingham and Haleblian (2012), Company A was able to learn from several unsuccessful attempts with certain suppliers (A3) and take a step forward to find and establish a number of reliable business relationships (A9). For Company A, the previously established strategic relationship with one Chinese supplier, which had never been significantly important before, became an invaluable competitive advantage at the point of the sudden institutional change (A4), and further a joint-venture partner. Moreover, Company A was willing to keep (to reserve in the set of available means) some of its best suppliers (such as their new joint-venture partner) on its shortlist in case the sanctions were to be raised (A6). This allowed Company A to be flexible and benefit from instability by responding to it rapidly and effectively. Meanwhile, for Company B, the process of establishing relations with new suppliers was lengthy and problematic; as the data show, it was not satisfied with the quality of ingredients or the volumes the new suppliers could deliver (B1, B10). Unlike Company A, Company B did not have a reserve of suppliers it could switch to in case of sudden change (what if scenario). Hence, when sanctions were introduced, it was unable to switch quickly to new relations. It was also restricted in its network choices and had to accept low quality goods. This analysis leads to the next propositions:

Proposition 2a (P2a) Under conditions of changing institutional environment, firms undertaking opportunity-seeking effectual strategy are more likely to *have a reserve of potential*

international suppliers at hand compared with firms undertaking survival-seeking effectuation that do not have a reserve.

Proposition 2b (P2b) Under conditions of changing institutional environment, firms that *have a reserve of potential international suppliers at hand* are more likely to exhibit enhanced performance compared with firms locked in to a limited number of current suppliers.

Proposition 3a (P3a) Under conditions of changing institutional environment, firms undertaking opportunity-seeking effectual strategy are more likely to be *able to change partners faster* than firms undertaking survival-seeking effectuation.

Proposition 3b (P3b) Under conditions of changing institutional environment, firms that are *able to change partners faster* are more likely to exhibit enhanced performance compared with firms that fail or are late to change.

Both firms provided evidence that they were not able to forecast future returns or make at least some estimates of future profit (A4; B4, B5); instead, they followed the *affordable loss* principle. The story of Company A buying the test model of a diesel generator illustrates the principle of affordable loss in action (A2). The company was ready to bear an acceptable level of risk and pay for strategic opportunities on the supply side with future value that was impossible to estimate. Despite the outcome in which the risk was realized and the firm lost some money, they were prepared for that contingency and the amount was affordable. Another example of affordable loss is the entrepreneur's conscious decision to tolerate downside risk during a *reasonably short trial and error learning period* (A9). In contrast, Company B did not invest in opportunities and learning, but pessimistically could estimate only how much it would lose should the whole business close down. Based on this analysis, we suggest the following propositions:

Proposition 4a (P4a) Under conditions of changing institutional environment, firms undertaking opportunity-seeking effectual strategy are more likely to *pay an affordable amount to invest in emerging opportunities and learning* than to *consider exiting the business at affordable cost* as survival-seeking effectuators do.

Proposition 4b (P4b) Under conditions of changing institutional environment, firms that are *able to pay an affordable amount to invest in emerging opportunities and learning* are more likely to exhibit enhanced performance compared with firms that *consider exiting the business at affordable cost*.

Both companies accepted that under new institutional conditions they were no longer able to use the pre-existing old knowledge and competencies in their international operations (A8; B6); instead, they had to *leverage contingencies*, try new ways of running their business, be open to unexpected events, learn from them, and generate new skills.

For Company A, decision making is concentrated in the hands of the founding entrepreneur and his opportunity-driven logic of reasoning, which resulted in a rather consistent strategy dependent on internal learning and probing new suppliers. Supplementary profit from new orders opened up fresh entrepreneurial opportunities to invest in in-house production; thus, reserving these additional orders creates even more options for the future (A4). Hence, the founder of Company A acted as a real effectuator who “prefers options that create more options in the future rather than those that maximize returns in the present” (Sarasvathy 2001, p. 252). Another vivid example of leveraging contingencies is when the entrepreneur in charge of Company A was able to exploit a temporary jobs market failure and hire several both technically qualified and internationally experienced project managers, rare and valuable employees, which are never available on the market or are recruited by larger players (A10).

Notably, Company A’s examples of leveraging contingencies show how the firm was able to exploit the temporarily absent impact of *liability of smallness* (Aldrich and Auster 1986), as neither the orders nor highly qualified employees they were able to snatch during the time of disturbance would be available to smaller players in the industry. While smaller players are usually not legitimate actors and are thus out of the picture (e.g. as a contractor to large shipyards, as an employer of scarce, valuable personnel), under critical conditions they may appear to be the only available option. If they are able to supply a proper solution by delivering satisfactory products and being a suitable employer, then they gain needed legitimacy in the form of a track record of accomplished deliveries, remarkable employees, and eventually increased size.

Company B also tried several solutions to ensure the survival of its business (B6), and experimented with placing more focus on exporting (B7); however, these were diverse, sometimes contradictory and multidirectional, and did not lead to a successful solution. As one of the managers reported, the company just exhausted its energy and strength for no gain (B6). From this analysis, we derive our penultimate proposition:

Proposition 5a (P5a) While *leveraging contingencies*, firms undertaking opportunity-seeking effectual strategy are more likely to *engage in consistent actions over time evolving into converging strategy*, whereas firms undertaking survival effectual strategy are likely to *make diverse, contradicting and unrelated business decisions*.

Proposition 5b (P5b) Under conditions of changing institutional environment, firms that are able to *engage in consistent actions over time evolving into converging strategy* are more likely to exhibit enhanced performance compared with firms that *make diverse, contradicting and unrelated business decisions*.

Table 2 summarizes the proposed differences between the two types of effectual strategy.

Table 2 Contrasting the Two Types of Effectuation

Effectuation principle	Effectuation as an opportunity development strategy	Effectuation as a survival strategy
Means-driven logic	Who I am: developing new identity in parallel to the old one What I know: understanding that the old knowledge and competencies are not enough; gaining new knowledge internally by means of employees Who I know: rich 'reserve' of partners that can be used in what-if scenario; not all previously established partners became completely unavailable	Who I am: some change in identity What I know: understanding that the old knowledge and competencies are no longer applicable; however, insufficient acquisition of new knowledge and competencies Who I know: problematic switch to new suppliers; the change of partners is forced
Reliance on networks	Maintaining relationships with old partners where possible; loss of some old partners; network restructuring and proactively probing new partners; the variety of potential partners is big; proactive search for new partners; fast change to new partners	Loss of old partners, change to new partners is slow and problematic; limited number of potential new suppliers, which restricts choice
Affordable loss	Inability to estimate future returns; investing as much as a firm can afford to lose in exchange for new learning and opportunities	Inability to estimate future returns; considering exiting the business at affordable cost
Leveraging contingencies	Trying various business decisions to exploit emerging opportunities; however, these actions are still consistent, not contradictory, and follow one envisioned direction	Experimenting and trying various unrelated and sometimes contradictory decisions that in the end do not result in any successful solution for the overall business

5.2 Increasing causation

The data collected during the second round of interviews (see Table 3 and quotes A6, A7, A9; B7, B8, B10) provide evidence that along with the decreasing use of effectuation, both case companies experienced an increase in their causal decision making. Approximately a year after the dramatic institutional change, Company A has been able to shape a clear vision of the near future and their new competitive position in it, given their proclaimed (dynamic) capability to acquire update skills and competencies that are highly relevant today (Song et al. 2016; Teece 2007). Accordingly, the firm has been able to align its strategic priorities in accordance with developing trends in the industry and the imposed plans of the government.

As for Company B, it maintained the survival approach to running its business; however, the radical changes in the foreign trade regulations were no longer perceived as a shock (B8). Company B managed to establish somewhat 'stable' relations with new international suppliers, although they were only just becoming functional. We suggest that the reasons for this re-causation relate to the cognitively perceived

level of uncertainty, namely its decrease. Although the sanction regulations did not dissipate but were getting even stricter with every round, the studied entrepreneurial founders/managers no longer treated this institutional turbulence as severe disturbance, and their tolerated level of uncertainty increased. In other words, the companies got used to operating in this stress and became immune to it. This finding adds to Sarasvathy's (Sarasvathy 2001, 2008) idea that effectuation is a highly cognitive concept because its basis lies in entrepreneurs' own perceptions of what they are, what they know and who they know. In line with Reymen et al. (2015), we argue that not only Knightian uncertainty but also its perceived level is an important cognitive factor that influences the dominance of either effectual or causal behavior. However, we can also add that this dominance depends on whether entrepreneurs/managers create or discover opportunities. Thus, decision making in the opportunity-creation context is bound tightly to effectuation (as it is a problem of design), while opportunity discovery and recognition are more inclined to causation (as it is a problem of selection) (Fisher 2012; Sarasvathy 2008). We show that the increasing use of causation in period 3 (Table 3, Figure 1) stems from the need to use traditional forms of strategic planning in situations when Knightian uncertainty turns to assessable risk (Alvarez and Barney 2007) or in other words when structural uncertainty turns to mere parameter uncertainty (Duncan 1972; Luo 2003). Likewise, this finding is also supported at the level of particular decisions, as we were able to identify that in many cases opportunities explored with effectuation were further exploited in a causal manner. For example, a recent joint-venture agreement is highly formalized, strategically planned, and controlled; however, when Company A got to know their current partner, their relationships were largely effectual.

Proposition 6 (P6) Under conditions of increased institutional uncertainty, the positive impact of effectuation on performance is contingent upon subsequent causation when uncertainty decreases.

Fig. 1 Interplay and Coexistence of Effectuation and Causation in Case Companies

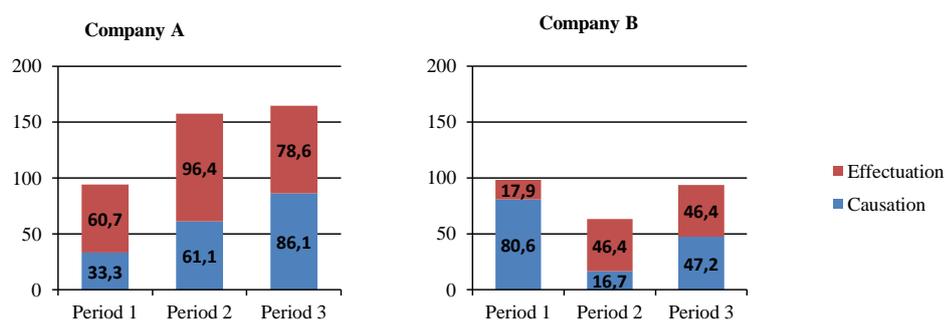


Table 3 Matching the data to the theoretical criteria of causation and effectuation by Fisher (2012)

		Company A			Company B			
Criteria for behavior and decision making		1 ^a	2	3	1	2	3	
Causation	- Identified and assessed long-run opportunities in developing the firm;	Vv ^b	vv	VV	VV	xx	Vv	
	- Calculated the returns on various opportunities;	xx	xx	vv	VV	xx	vv	
	- Wrote a business plan;	xx	xx	Vx	vv	xv	Vv	
	- Organized and implemented control processes;	vx	VV	VV	Vv	Vx	Vv	
	- Gathered and reviewed information on market size and growth;	VV	VV	VV	Vx	Vx	Vv	
	- Gathered information on competitors and compared their offerings;	VV	VV	VV	vV	xv	vx	
	- Wrote up or verbally expressed a vision for venture	xx	Vv	VV	VV	xx	xx	
	- Developed a project plan to develop the product and/or services;							
	- Wrote up a marketing plan for taking the products/services to market							
	Scoring (out of 36 points)	12 (33.3%)	22 (61.1%)	31 (86.1%)	29 (80.6%)	6 (16.6%)	17 (47.2%)	
	<i>Experimentation:</i>							
	Effectuation	- Developed multiple variations of a product or service in arriving at a commercial offering	vv	VV	vV	xx	xv	vv
		- Experimented with different ways to sell and/or deliver the product or service in arriving at a commercial offering	vx	VV	vV	xx	vV	vv
- Changed the product or service substantially as the venture developed		Vv	VV	VV	xx	xv	vv	
<i>Affordable loss:</i>								
- Committed only limited amounts of resources to the venture at a time		vv	Vv	VV	xx	xV	vx	
<i>Flexibility:</i>								
- Responded to unplanned opportunities as they arose		Vv	VV	Vv	xv	xv	xx	
- Adapted what they were doing to the resources on hand	Vx	VV	Vv	xv	VV	Vv		
<i>Pre-commitments:</i>								
- Entered into agreements with customers, suppliers, and other organizations	VV	VV	VV	Vv	xv	Vv		
Scoring (out of 28 points)	17 (60.7%)	27 (96.4%)	22 (78.6%)	5 (17.9%)	13 (46.4%)	13 (46.4%)		

^aPeriods: 1 - before March 2014 (before the sanctions regime); 2 - April 2014-March 2015 (first year of sanctions regime); 3 - April 2015 to present (more than a year of sanctions regime)

^b V – strong agreement with a criterion (2 points), v – less strong agreement (1 point), x – disagreement (0 points); first of two symbols in each cell – opinion of a founder/CEO, second – opinion of a manager.

6 Conclusions and Implications

This study reveals that although firms simultaneously use both causation and effectuation in their decision making, an increase of institutional uncertainty boost effectuation. The study shows that the intensity of both types of decision-making logic varied in accordance to changing perceptions of institutional uncertainty. Also, the study illustrates variant applications of effectuation with distinct performance implications, allowing us to distinguish two types of effectuation, namely opportunity-driven and survival-seeking effectuation. The results of our study offer novel theoretical insights for moving effectuation theory forward. We later discuss how our findings correspond to some of the directions for future effectuation research suggested by Arend et al. (2015) and Read et al. (2016)².

Our two contrasting cases address not only *what* effectuators do and *how* they act under conditions of high uncertainty but also the “*Why*” of effectuation (Arend et al. 2015). We provide evidence on why under condition of increased institutional uncertainty decisions and actions of opportunity-seeking effectuation are more adequate than those of its alternative, survival-seeking effectuation. In fact, our example of survival-seeking effectuation questions the assumption of effectuation theory that all entrepreneurs can be successful effectuators (Arend et al. 2015). We show that some of them succeed in/through effectuation, and some try but struggle to survive. In this regard, the example of opportunity-seeking effectuation shows “*how to move them from cannot to can*” (Arend et al. 2015, p. 646), and helps move effectuation from a theory explaining entrepreneurial behavior to a theory explaining differences in performance (Perry et al. 2012). In this regard, our derived propositions focus on the micro processes mediating the relationship between effectuation and performance of a firm under conditions of increased institutional uncertainty.

Following our findings on opportunity-driven effectuation, from the practitioner perspective we suggest that under conditions of increased institutional uncertainty firms should 1) obtain new knowledge and competencies for their international operations, 2) network and increase the number of potential international partners, 3) invest in emerging opportunities and learning about their foreign partners, and 4) leverage contingencies through consistent and non-contradictive decisions in order to proactively seek opportunities in these conditions. However, as our findings show, these effectual actions should be employed in combination with causation. These practical implications indicate that our typology serves not only a descriptive but also prescriptive purpose, which is, according to Arend et al. (2015), a considerable step forward for effectuation research. When the classic approach suggests that during critical downturns in the economy, organizations should improve their internal efficiency through cost reductions, more

² Although Read et al. (2016) brush away many points of criticism of effectuation presented by Arend et al. (2015), some suggestions for moving effectuation forward offered by Arend et al. (2015) remain unanswered (and thus treated as relevant) by Read et al. (2016); moreover, we assert that certain advancements suggested in these two articles are akin.

planning and control over business operations (Brinckmann et al. 2010; Delmar and Shane 2003), effectuation advocates for market-making activities contingent upon external change and co-created opportunities. While we admit that the latter type of behavior is neither normatively suggested for everyone nor always possible, we have shown that under conditions of increased institutional uncertainty and with a certain set of capabilities (as proposed in this article), a firm may viably sustain and improve its chances of survival and strengthen its competitive position. Further, our analysis suggests that opportunity creation and discovery accomplished through effectuation alone does not lead to enhanced performance, only if combined/followed and secured by causation associated with opportunity exploitation. Thus, we show that the two decision-making logics are complementary to each other serving different entrepreneurial processes.

Both Arend et al. (2015) and Read et al. (2016) admit that effectuation needs inductive process-based research that would enable the continuous investigation of patterns and changes in decision making from causation and effectuation and vice versa. In response to this, our study explores the process of interplay between causal and effectual strategies. Although Reymen et al. (2015) have also focused on the process of interchange and the co-existence of both logics, our study complements their findings by offering real-time data (a limitation of Reymen et al. 2015), two types of effectuation and the context of institutional uncertainty (other than the technological dimension as in their study). Besides, we demonstrate the co-existence of the two logics in established firms and in relation to their international activities. We also go beyond the study by Fisher (2012) and reveal whether, in what combination and under which circumstances the concurrent use of both logics can be more advantageous.

Our process-based study can serve as a basis for further inquiries in the effectuation stream. For instance, scholars may compare effectual activities of entrepreneurs at the stage of business formation with the effectual activities appearing further along firms' life-cycle. Similarly, they could compare stages when causation dominates effectuation. This kind of study could perhaps show whether the same firm can experience different effectuations and causations depending on its stage of development. Another process based study may also track how an entrepreneur's of a firm's identity unfolds throughout the entrepreneurial effectuation process similar to the study by Nielsen and Lassen (2012), but in the context of established firms facing uncertainty.

In addition, effectuation has been criticized for remaining self-referred with limited diffusion into broader scientific discussion (Arend et al. 2015). In response to this, the present study contributes to the development of effectuation research by extending its boundaries into areas other than entrepreneurship alone, namely IE in this paper. After Johanson and Vahlne (2009, p. 1423) stated that effectuation is fully consistent with their revisited Uppsala model, they gave the green light for many scholars to use effectuation to explain outward internationalization processes (Andersson 2011; Gabrielsson and Gabrielsson 2013; Galkina and Chetty 2015; Harms and Schiele 2012; Kalinic et al. 2014; Mainela and Puhakka 2009;

Sarasvathy et al. 2014; Schweizer et al. 2010). We adopt a different perspective and demonstrate that effectual decision making can be employed also in inward internationalization by established firms, due to the high uncertainty related to restructuring relations with international suppliers. This view offers a useful link to the broader discussion in International Business on international partner selection (Hitt et al. 2000; Varis et al. 2005) and global value chains (Azmeah and Nadvi 2014; Buciuni and Mola 2014), and thus helps IE become less marginalized (Coviello et al. 2015; Galkina 2013).

Further, our findings can be advanced to connect effectuation research to a broader field of strategic management literature. Analyzing our cases, we found that the behavior and decision-making logic of our case companies after the introduction of sanctions (Table 3 and Figure 1) largely lead the firms to match different types of organizations as classified by Miles and Snow (R. E. Miles et al. 1978). Company A, with a high level of causation and immense level of effectuation, achieved elevated competitive positions in the market. The story of company A during this critical period clearly reflects the strategic orientation of the *prospector*, as according to Miles and Snow organizations of this type thrive in changing business environments that have an element of unpredictability, and succeed by exploring environmental change in search of new opportunities (R. E. Miles et al. 1978; Parnell 2013; Song et al. 2016). Contrastingly, company B was not able to reach a satisfactory strategic stance, with insufficiently increased effectuation and sharply decreased causation. The lack of a systematic strategy, and belated and inconsistent decisions, placed the stagnating firm into the *reactor* category with the consequence of poor performance in the second period. In the third period, both firms started to place more emphasis on efficiency, bringing in more features of the *defender* and *analyzer* organizations by the Miles and Snow typology (Brunk 2003; R. E. Miles et al. 1978). Accordingly, advancements from the strategic management and strategic entrepreneurship literature on how to achieve better performance for different types of organization may further augment effectuation research (e.g. DeSarbo et al. 2005). Additionally, as far as our study provides some evidence that the structural uncertainty drives effectuation, while the parameter uncertainty might be addressed with causation, it may trigger an interesting direction for further research on decision making under various types of uncertainty.

From a policy-making point of view, our cases have been able to reveal several important issues related to effectuation. At a time of overall economic hardship, exacerbated by a weaker currency together with trade and financial sanctions, the government is an important player. Under conditions of increased uncertainty, government may serve to prevent firms engaging in panicky behavior and incompetent strategic adjustments. The changing conditions in the shipbuilding industry, described by representatives of Company A, were increasingly monitored, planned, governed and controlled by the government, thus providing the essential assurance for further strategizing at the firm level. Despite a slight delay, the government was able to plan further development of the industry, thus reducing firm-level perceptions of uncertainty in the market. Furthermore, according to our propositions, under conditions of increased

institutional uncertainty policy-makers could be helpful in 1) facilitating matchmaking events, inter-regional and international trade missions, connecting local and available international producers with local actors on the demand side (P2a and P2b). Additionally, as firms require new knowledge and competencies relevant to the current situation (P1a and P1b), the government may develop specific measures encouraging and facilitating organizational learning.

7 Limitations

Regarding the limitations of our research, it is based on the specific empirical context of Russia and the conditions of institutional turbulence; therefore, the application of our results to other national contexts may be limited and requires additional studies. Furthermore, our findings are primarily based on qualitative data, which can be generalized analytically but not statistically. Regardless of measures taken to enhance the validity and reliability of our results, due to methodological merit our interpretation remains suggestive rather than conclusive in nature. Threats to internal validity are also considered. The possibility exists that differences in decision-making logics and performance both stem from pre-existing firm- or industry-specific differences. This threat is partially mitigated by the nuanced approach, while asking interviewees to describe in a detailed manner their reasoning and influencing factors for particular decisions they made. Other ways of acting on this threat are dynamic comparison of firms prior to the introduction of the external factor (treatment variable), further continuous observation, and constant data triangulation.

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Appendix 1

Data Collection and Sources of Information

	Company A	Company B
Semi-structured interviews	11.5.2015: 40 minutes; project manager 25.5.2015: 30 minutes; project manager 25.5.2015: 30 minutes; CEO 18.10.2015. 50 minutes; project manager 1.11.2015. 25 minutes; CEO	15.4.2015: 45 minutes; CEO 1.5.2015: 90 minutes; logistics manager 19.10.2015: 45 minutes; logistics manager 24.10.2015: 50 minutes; CEO
Non-structured follow-up interviews and discussions to verify information from the interviews and follow up questions	20.5.2015 Follow-up meeting to verify transcript from the preceding interview and discuss current news from the shipbuilding industry - Shipbuilding Forum in Moscow (25 minutes) 27.5.2015 E-mail exchange to verify transcript of the recent interviews followed by Skype conversation with project manager about current news from the shipbuilding industry - assessment of the industry prospects (10 minutes) 6.6.2015: informal discussion with project managers about current situation in the firm (15 minutes) 12.7.2015: informal discussion with project managers about current consequences of new development plan for the industry (20 minutes) 22.10.2015: follow up e-mail and Skype call with project manager (20 minutes) to verify information from the interview 3.11.2015: Skype call with CEO to clarify responses on the list of criteria (15 minutes)	8.7.2015: informal discussion with CEO and 2 sales managers (about 15 min each); 12.09.2015: informal discussion with CEO (25 min) 20.4. 2015; 2.5.2015; 12.7. 2015; 9.8.2015; 10.8. 2015; 5.10.2015: messages through Skype chat with logistics manager 13.5.2015; 31.8.2015; 20.9.2015; 20.10.2015: messages through Skype chat with CEO: 20.10.2015: Skype conversation with logistics manager (12 minutes) to verify information from the interview; 2.11 2015: Skype conversation with CEO (23 minutes) to verify information from the interview
Onsite company visits	25.5.2015: duration 90 minutes	8.7.2015: duration 90 minutes
Work experience	10.1.2014 – 1.4.2014	-
Secondary data	January 2013 – survey data collection from the company for preceding study; 19.5.2013 – an interview (60 minutes; project manager) – preceding study; 9.4.2015 – extensive discussion on economic situation as experienced by business representatives from five industries including shipbuilding (60 minutes), followed by preparation of concluding document (2 pages) and research proposal May 2015; October 2015: Archival data (information from website, reports and brochures provided by the firm); Onsite company visit: 19.5.2013 (preceding study)	October 2013: 3 semi-structured interviews for the preceding study; May 2015; October 2015: Archival data (information from website, reports and presentations provided by the firm); Onsite company visit: 14.7.2013 (preceding study)

Appendix 2

Interview guide

The focus of this interview is on the changes in decision making regarding your firm's supply side operations. We are interested in how changes in the external institutional environment (sanctions) affect the internal logic of decision making. While we are expecting clear answers to our questions, the most valuable information for us is your personal experience and rich illustrative examples. Feel free to ask your own questions during the interview and suggest other relevant points for discussion.

1. Background information:

- a. Age of firm
- b. Number of employees
- c. Number of founders
- d. Area of business
- e. B2B, B2C, B2G
- f. Does your firm have any sales in/to foreign markets?
- g. Could you please describe a typical transaction of your company from the beginning to the moment of sale/delivery of goods to the end user?

2. International activities

- a. When did your firm make its first sale to a foreign country?
- b. What is your share of exports in total sales volume?
- c. Where do you sell your products/services except Russia? (CIS, Europe, Asia, North and South America, etc...)

3. Business environment

- a. How would you describe the political situation in Russia throughout the history of your company? How did political factors affect your company?
- b. How would you describe the economic situation in Russia throughout the history of your company? How did economic factors affect your company?
- c. How would you describe the regulatory environment in Russia throughout the history of your company? How did regulatory factors affect your company?
- d. What other external factors have been affecting your business in this period? What has changed since then in relation to your business in the external environment?
- e. How would you describe the current political situation? What current political trends are influencing your firm? Do you experience any change within your firm related to current political trends?
- f. How would you describe the current economic situation? How does the current economic situation affect your firm?
- g. How would you characterize recent regulatory changes in Russia? What particular regulations are the most important for your firm?
- h. How would you characterize in three words the period before sanctions were introduced? And the current period (starting from 2014)?

4. How goal-driven logic changes to means-driven logic.

- a. What has been achieved by your company in the years from 2008 to 2014?
- b. What are the current goals for the company? Any recent changes in this respect?
- c. What changes have occurred in your company since 2014?
- d. Would you characterize your way of running the business (procedures, routines, people to contact etc.) as more or less established (generally accepted)? Any recent changes in this respect?
- e. Could you compare the degree of predictability in your business before the recent crisis and now?
- f. Do you have a business plan? Did you have it before?

- g. Did you draw up any forecast/set of scenarios that your firm could rely on?
 - h. What is the planning horizon for the company?
 - i. Do you rely on planning or is it more like reacting to an emergency situation?
5. How competitive analysis changes to reliance on partnership and then back?
- a. How would you currently assess your dependence on foreign suppliers? Have you recently experienced any changes in this respect?
 - b. What are your basic criteria for the selection of your suppliers? Any recent changes in this respect?
 - c. Is there any difference in how you make decisions regarding your suppliers in the past and now?
 - d. Could you please tell me about your first international supply contracts? How did your firm find potential suppliers?
 - e. How did you chose suppliers in the previous years (before sanctions)?
 - f. What has changed since then?
 - g. Did you conduct any marketing research in the past (before sanctions)?
 - h. Did you have a network of established partners (suppliers and customers)? Do you still have them?
 - i. With the sanctions regime, did you have to change to other suppliers? Can you describe this change?
 - j. How did you search for new suppliers to choose from after the introduction of trade sanctions?
 - k. What are your main challenges when changing your suppliers?
 - l. How did your old partners react to their dismissal and change to new partners? Are you still in touch with them? Are you trying to maintain at least some sort of relationship? How?
 - m. Who suffered the most due to the imposition of sanctions in your market?
 - n. Could you find new supply alternatives, which are not worse in parameters than those from your previous suppliers?
 - o. If the sanctions were to be lifted soon:
 - would you keep some of your new suppliers for longer-term relationships. Why (not)?
 - would it be possible to change back easily to your previous suppliers? Why (not)?
6. How counting on expected returns changes to affordable loss?
- a. Did you make any estimation of your returns before the introduction of sanctions?
 - b. Can you do it now? Can you estimate your profit?
 - c. What are the main risks you can see to your business in the current situation? How is this risk estimated, managed and controlled for?
 - d. What are the risks in dealing with new suppliers? Do you have any interesting stories to tell about taking risks while working with new suppliers?
 - e. Could you compare the level of risks in dealing with your old and new suppliers?
 - f. Have you had any experience of your old suppliers' inability to execute the contract before? Do you have any risky ventures with some of your new partners? What are the consequences for your firm if the risk is realized on your supply side? What would you do if your new supplier fails to deliver the contract?
 - g. What opportunities can you see for your business in the current situation? How would you estimate potential profits from realizing these opportunities? Do they have any countable monetary value? What are the consequences if your firm fails to realize and monetize these opportunities?
7. How exploiting pre-existing knowledge changes to leveraging contingencies?
- a. Could you once again list these new opportunities for your business related to the new regime of sanctions?
 - a. To address these new opportunities, can you rely solely on your previous knowledge?
 - b. Do you feel any need for organizational changes to address these emergent opportunities?
 - c. Would you agree that in order to address these emergent opportunities your firm requires new skills and competencies that have not been in such demand in the past?
 - d. What do you think, what competitive advantages are now at the forefront?

Publication IV

Laine, I., Kuivalainen, O.

Internationalisation of new Russian ventures: the institutional frontier.

In K. Ibeh, P.E. Tolentino, O.E.M. Janne, and X. Liu (Eds.) *Growth Frontiers in International Business* (2017), London: Palgrave Macmillan

DOI: 10.1007/978-3-319-48851-6

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