



Turun yliopisto  
University of Turku

# **INTERNATIONAL OPPORTUNITY RECOGNITION AMONG FINNISH SMES**

**Organic food SMEs in the Baltic Sea region**

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in International Business

Author:  
Jenni Rantasalo

Supervisors:  
Ph.D. Esa Stenberg  
M.Sc. Elina Pelto

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Turku



Turun kauppakorkeakoulu • Turku School of Economics



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# 1 INTRODUCTION

## 1.1 International opportunity recognition

Entrepreneurs benefit from appearing discontinuities and gaps in society's economic foundations (Dubini & Aldrich 1991, 305). Entrepreneurship can be defined as *the process of first, discovering, and second, acting on a disequilibrium opportunity* (Kaish & Gilad 2001, 46). Situational changes make traditional ways of doing business and traditional products and services outdated and offer entrepreneurs and entrepreneurial companies an opportunity to take advantage of. Even without drastic changes in market conditions or society, unseen opportunities may be available for some individuals. (Dubini & Aldrich 1991, 305.) According to Kirzner's (1978, 74) definition, entrepreneurs are alert to opportunities that already exist and are waiting to be recognized. Nevertheless, not all people in the same context perceive same opportunities. This results from their different knowledge bases. In order to recognize opportunities, prior knowledge and cognitive properties to make necessary conjectures with the existent and new information are required. (Shane & Venkataraman 2000, 220–222.) This means entrepreneurs' capability of interpreting information and potentially coming to a conclusion concerning a new opportunity (Baron 2006). Particularly prior information concerning internationalization, markets, ways to serve markets and customer problems have been found to enhance the opportunity recognition possibilities (cf. Shane 2000, 452). Accordingly, research of opportunity recognition has largely dealt the role of information and covered aspects like information processing, gathering, cognitive organizing and sources of information. The role of networks as mediators for information and promoters of entrepreneurial activeness and alertness has been addressed recently. (Ozgen & Baron 2007, 176–177; Arenius & De Clercq 2005; Ardichvili, Cardozo & Ray 2003, 115.)

The first step for exploiting new business opportunities is recognizing them (Ozgen & Baron 2007, 175). Despite the importance of the recognition phase, the research of entrepreneurship has traditionally focused more on entrepreneurial process after the discovery and on small, entrepreneurial companies as such. Another popular aspect has been studying why certain people recognize certain opportunities, while others do not. As a result, it has been found that creativity and optimism are personality traits that enhance opportunity recognition. Otherwise the role of personal features in opportunity recognition remains unconfirmed. (Butler, Doktor & Lins 2010, 129; Ardichvili et al.

2003, 116.) Instead, prior knowledge, network ties and entrepreneurial alertness form the core in current opportunity recognition research.

Despite the growing interest and understanding, the opportunity recognition process remains rather unexplored in international business context and in relation to foreign market entry of small and medium-sized enterprises (Kontinen & Ojala 2011a, 490). Instead, traditional models of internationalization concentrate on entry and business expansion decisions rather than on the recognition and exploration process of international opportunities (Ellis 2011, 99). In terms of international opportunity identification, it has been stated that observing opportunities on foreign markets is more difficult and involves a high level of uncertainty (Butler et al. 2010, 122). These challenges and uncertainties can be interpreted to result from unfamiliar market environment. Winning the liabilities requires great amount of prior international and technical knowledge, intellectual property and access to information sources. (Chandra, Styles & Wilkinson 2009, 51.) While Johannisson (1998, 297) defines entrepreneurship as being *about the deployment of resources, independent of origin or ownership but according to opportunities*, it can be assumed that domestic and international opportunity identification processes require similar resources and capabilities. As Johannisson (1998, 297) continues: *Such organizing efforts call for social skills in addition to market and technical knowhow*, he refers to the importance of networks and prior knowledge. Further, innovativeness, autonomy and pro-activeness have been underlined as driving forces for international opportunity recognition. (Chandra et al. 2009, 51.) In addition to already mentioned factors affecting opportunity recognition process, also external environment as such, e.g. business environment, competition, industry features and political environment, shape the process (Zahra, Korri & Yu 2005, 132).

Understanding opportunity recognition in international context is important for small and medium-sized businesses operating in limited domestic markets. Since SMEs represent the majority of the companies in Finland, their growth is vital to the country's economic development and future welfare (Confederation of Finnish Industries EK). In many cases, SMEs on small domestic markets are forced to enter foreign markets in order to grow further and success in their business (Coviello & Munro 1994, 49). The statistics show that this is the case also for Finnish SMEs and for some of the companies in this study as well. According to the Confederation of Finnish Industries EK, 20 % of the Finnish small and medium-sized enterprises export their goods or services (Confederation of Finnish Industries EK). SMEs' share by number of all exporting companies in Finland rises up to 90 % (Nummela 2008, 20).

According to Uppsala model of SME internationalization, companies develop first on domestic markets and then incrementally internationalize their operations. The model assumes that the most important challenges on foreign market entry are lack of knowledge and resources. Incremental decision-making and expanding first to culturally

similar markets have been found to reduce the perceived risks and enhance learning. Johanson and Wiedersheim-Paul (1999) introduce four different stages for internationalization of a firm:

1. no regular export activities
2. export via independent representatives (agent)
3. sales subsidiary
4. production / manufacturing

By each step of internationalization company's commitment and financial investment increases. (Johanson & Wiedersheim-Paul 1999, 28.) Since the companies studied in this research have experienced or are experiencing this sort of incremental internationalization, this widely acknowledged model of Johanson and Wiedersheim-Paul (1999, 28) forms the basis for internationalization of SMEs in this study. When categorizing the level of the internationalization of the companies later in this study, the model is adapted to best describe the actual situation among the companies. This includes e.g. using mid-stages like 2.5 between the four original stages presented in the model by Johanson and Wiedersheim-Paul (1999, 28).

By definition, small and medium-sized enterprises employ less than 250 people and have net sales less than 50 Million Euros, or their annual balance-sheet total does not exceed 43 Million Euros and they are not owned as to 25 %, or more, by one or several other enterprises (Statistics Finland).

Given Finnish economy's dependence on small and medium-sized companies, it is important to understand the international opportunity recognition process among them. Understanding the process and influential factors allows defining necessary supportive measures to encourage and enhance the international opportunity recognition and exploitation among small companies. Knowing the nature of the entrepreneurial processes, governments can better address funding to activities that are found to promote likeliness for opportunity recognition, exploitation and future success (Shane 2000, 467). Moreover, the information obtained from the studies can be applied in entrepreneurial education and business training (Pech & Cameron 2006, 74).

In this research international opportunity recognition is studied among Finnish SMEs, which operate in the Baltic Sea region and in organic food industry. Both Baltic Sea region and organic food industry are introduced in the following.

## 1.2 Organic food industry

Organic food industry is currently booming all around the Western world, recently also in Finland. As concerns about food epidemics and health effects of additives and pesticide residues increase, people have become more aware of their nutrition and eating habits. There is also a trend towards more sustainable and ecological life style, which is reflected in choices concerning nutrition. As food production is today among the major contributors to the climate change, environmentally conscious individuals have started to pay more attention to their food choices. Also in other aspects of life, e.g. clothing and consumption, a shift towards more ethical and environmentally friendly life styles can be seen. (Halttunen, Lagnevik & Tanhuanpää 2009.) Organic farming respects natural life-cycle systems and is typically based on crop rotation and on strictly limited use of chemical synthetic pesticides and fertilizers, food additives and prohibition of GMOs. According to regulations of European Commission, foods can be called organic if at least 95 % of their agricultural ingredients are organic. The use of some pesticides and additives is nevertheless accepted. (cf. EC 889/2008; Halttunen et al. 2009, 23–24.)

In the United States, the demand for organic food started to increase already in the 1990s', and in 1999 a survey concerning the demand for locally produced food got positive results among Finns (Moni söisi lähiruokaa – 1999; Karvonen 1996). During the 1990s' organic farming reached 25 % annual growth rates in the EU and in the U.S. (Krystallis & Chryssohoidis 2005, 321) and by the mid-2000s' the organic food was booming in Europe and especially in Denmark (Oksanen 2006a). Finland, however, lagged behind other European countries and the demand for organic products was even at decrease until 2005 (Oksanen 2006b; Luomumarkkinat Suomessa). Global sales in organic food surpassed \$50 billion in 2008, of which 54 % comes from the EU and 43 % from the U.S. market. Asian market constitutes only a minor part, but it is increasing rapidly (Luomuruuan tuotanto kasvaa ja erilaistuu, 2010; Halttunen et al. 2009, 41). The effects of the global financial crisis can be seen also in organic food industry. The industry growth has slowed down for example in the UK, Germany and the U.S., but in some countries like Finland, Denmark and France there is an adverse effect to be seen (Luomuruuan markkinat – – 2011; Parton 2009). In 2010, the value of organic trade in Finland amounted to 80 Million Euros and organic food represented 1.2 % of the total value food supplies in Finland. (Yhä useampi ostaa – –.) The corresponding figure was 7.9 % in Denmark, the leader of the organic consumption (Organic market memo 2011, 4).

The most sold organic products are organic fruits and vegetables followed by organic dairy products. Organic meat and beverages have increased their share of total sales. In addition to demanding only organic products, consumers have also started to prefer locally produced food with no additives or chemicals at all. They have also started to take



ever wider environmental issues into consideration. For example, ethical aspects of trade, sustainability of the production and carbon footprint of the product are current topics in discussion. Companies have answered to the growing interest by developing more biodegradable packaging and using recycled materials. (Luomuruuan tuotanto kasvaa ja erilaistuu 2010.) These sorts of consumer preferences imply that the demand for food with health benefits, foods with less additives and naturally healthy foods will be a major trend in the future. Origin of the product, traceability and safety are likely to be emphasized. In addition to consumer point of view, the pressures towards more sustainable production and organization derive from retailers, suppliers and other stakeholders. Also product differentiation, surviving in the competition and saving energy and raw materials encourage companies to strive for sustainability. (Halttunen et al. 2009, 9, 14, 29.)

Motives to buy organic products derive from values concerning human being, animal well-being and environment. Relating to human being, the most dominant values that encourage people to buy organic products are health and well-being for self and family. In terms of animals, there are two aspects that come forth: animal life values and respect of life as such, and the impact that animal life and health have on human health. “You are what you eat” –concept illustrates the latter aspect and indicates that human health is dependent on animal health. Further, compared to conventional food, organic food is considered more environmentally friendly in terms of pesticide residues and imports. Environmental concerns derive also from parents’ wishes to bring up their children on a healthy planet. (Makatouni 2002, 349–351.)

Regular users of organic food products account for the majority of the organic food sales. In Denmark 82 % and in the UK 60 % of the sales is generated by them. Regular users also spend the most stable expenditure on organic products. In a study concentrating on Denmark, UK and Italy it was found that regular users are often engaged in search for information and making their purchase decisions based on product quality, origin and processing and on social, ethical and environmental impacts of production. (O’Doherty Jensen, Denver & Zanolli 2011, 81.)

### **1.3 Baltic Sea region**

Baltic Sea region (BSR) forms a natural context for this study since it has the greatest importance for internationalization of Finnish small and medium-sized enterprises. As a competitive close market with developed business conditions, the Baltic Sea region offers possibilities to SMEs that often have limited resources and are rarely able to expand

their business abroad. (Nummela 2008, 20.) Geographical proximity, common values, perception about quality and regulations together with similar cultural background make the BSR market approachable for Finnish SMEs (The EU strategy for the Baltic Sea region 2010, 137; Johanson & Wiedersheim-Paul 1999, 28). The cultural proximity lightens for example the need for extensive market research, which is usually required when entering new markets (George, Wiklund & Zahra 2005, 211), and increases the entrepreneurs' ability to bear uncertainties related to the business (Butler et al. 2010, 127).

Promoting small business internationalization in the Baltic Sea region, the European Union regional policy paper Baltic Sea Region Strategy 2009 has introduced various EU funded and coordinated projects and initiated organizations that among other aims work for removing obstacles hindering proper functioning of the EU inner market. This includes for example increasing cooperation in customs and taxation and supporting SMEs and innovative businesses. (TEM 2010, 7.) One of the most interesting projects from the food industry point of view is the baltfood project, which is based on cooperation between science and business communities. Baltfood project aims at fostering food and food industry related innovations and offers market prognoses about the Baltic Sea region food trends. This helps SMEs accessing knowledge, which has been found to be crucial in international opportunity recognition process and internationalization (cf. Baron 2006; Johanson & Wiedersheim-Paul 1999, 28). Without information offered by organizations and exporting programs, SMEs should collect the information another way. For resource poor small companies reliable and extensive market research is often too expensive. (Baltfood.)

Deepening border crossing cooperation among the Baltic Sea region countries aims at developing institutions and simplifying the regulatory environment. Changes in companies' external environment are likely to enhance opportunity recognition among companies. (cf. EU 2010, 123; Oviatt & McDougall 2005a, 540; Eckhardt & Shane 2003, 341.)

## **1.4 The purpose of the study**

The aim of this study is to understand factors affecting the international opportunity recognition process among Finnish SMEs operating in organic food sector. The main focus lies on the factors derived from the earlier literature. Accordingly, the roles of prior knowledge, networks and entrepreneurial activeness and alertness in international opportunity identification process are dealt in detail in the study. The Baltic Sea region and organic food industry form the external and industrial contexts of the companies

represented in this study, and need to be hence considered when seeking to further generalize the results of the study.

The research question of this study is: “*How do the Finnish SMEs recognize international business opportunities?*” It can be divided into sub-problems according to the following:

- How the international opportunity recognition process can be defined?
- What kind of prior knowledge helps entrepreneurs to recognize opportunities?
- How do network ties help entrepreneurs to recognize opportunities?
- How do entrepreneurial activeness and alertness help to recognize opportunities?

Each sub-problem is dealt in detail both in theoretical and empirical sections of the study. The first sub-chapter 2.1 introduces opportunity recognition process and impulses that most often lead to recognizing new international opportunities. In chapter 2.2 necessary prior knowledge at the time of SMEs’ international opportunity recognition is discussed and different categorizations of knowledge are introduced. The importance of network ties in international opportunity identification process is considered in part 2.3. General network dynamics are first introduced and then their benefits especially for internationalizing SMEs are discussed. The last part of the theory deals with entrepreneurial activeness and alertness and their roles in cross-border opportunity exploration.

Chapter 3 introduces the research design adopted in the study. Data collection process is highlighted and quick overview of the companies and interviewees is given. Analysis methods used in the study are described and trustworthiness of the study is evaluated. In chapter 4, the companies are first introduced more in detail. After that the collected data is analyzed and the results of the study are discussed. Each company is first analyzed from one theoretical aspect. At the end of each part a conclusions of that particular theoretical aspect are made. The level of analysis in this study is an individual, which allows forming a better and more coherent picture about factors affecting the cognitive processes related to international opportunity recognition (Ellis 2011, 102). After analyzing all companies from the four theoretical aspects presented in the study, the chapter 5 makes conclusions and discusses the most interesting findings on a boarder basis.

## 2 INTERNATIONAL OPPORTUNITY RECOGNITION

### 2.1 International opportunity recognition process in SMEs

Opportunity recognition is the cognitive process through which individuals come to perceive an opportunity. Opportunity can be defined as the means of gathering previously unexploited value (Baron 2006, 107) and it may occur e.g. when new goods, markets or organizing methods can be presented through new configuration of resource or means. Also changes in existing conditions, for example shifts in technology, markets, demographics or government policies, may generate opportunities (Ozgen & Baron 2007, 188). Entrepreneurial opportunities have potential to change the terms of economic exchange and they involve creative aspects in the decision making (Eckhardt & Shane 2003, 336). International entrepreneurship, moreover, can be defined as the “*discovery, enactment, evaluation and exploitation of opportunities- across national borders – to create future goods and services*” (Oviatt & McDougall 2005a, 540).

Both discovery and exploitation of an opportunity require perceptions of its value. Differing from other economic transactions the values of opportunities, however, cannot be evaluated based on their price. Prices convey only some part of the information necessary to make economic decisions and they cannot thus truthfully guide the discovery and exploitation of entrepreneurial opportunities. (Eckhardt & Shane 2003, 337.) As a result, necessary for the existence and potential exploitation of entrepreneurial opportunities are people holding different beliefs about values. If two people had the same perceptions of value of certain resources, they would both try to benefit from it, which results in decreasing or inexistent profit expectations. (Eckhardt & Shane 2003, 337; Shane & Venkataraman 2000, 220.) As the perceptions of value derive from people’s idiosyncratic knowledge base, which has been gathered through life long experiences, two people possessing equivalent value perceptions is unlikely (Ardichvili et al. 2003, 110). Information plays therefore a crucial role in opportunity recognition (Ozgen & Baron 2007, 188).

In opportunity recognition process, individuals need to assume that the future price of an item or service will exceed the costs and that there is future demand for them. Evaluation of an opportunity requires foreseeing the characteristics of a potential market. Calculating the future value is always subject to uncertainty, since it would require individuals to possess information that does not exist at the moment of discovery. Uncertainty about the value of an opportunity remains until the market for a new item or such has been created and the prices indicating the value have been set. Until that the validity of entrepreneur’s value perception is unknown. When exploiting opportunities, people acquire resources and take actions that seek to change prices and provide infor-

mation (Eckhardt & Shane 2003, 339). Also people's willingness and abilities to act and exploit the opportunity affect the entrepreneurial process (Shane, Locke & Collins 2003, 259). Opportunity recognition is therefore a cognitive, individual act (Ellis 2011, 102).

By evaluating opportunities entrepreneurs create decision making frameworks that help them to estimate the value of opportunities and to allocate their resources accordingly. With the help of these frameworks entrepreneurs are able to estimate the price of an opportunity and make decision based on information that is not readily available to all potential individuals perceiving the opportunity. (Baron 2006; Eckhardt & Shane 2003, 338.) Rearranging resources requires different degree of creativity from entrepreneurs depending on the type and scale of the rearrangement and resource combination (Shane et al. 2003, 259). In any case, exploiting entrepreneurial opportunities is a creative act. Positive evaluation and opportunity exploitation then lead to creation of new markets or updating the old ones. (Eckhardt & Shane 2003, 338.)

As Oviatt and McDougall (2005a, 540) define the international opportunity recognition consisting of border crossing discovery, enactment, evaluation and exploitation of opportunities, also Ardichvili et al. (2003, 109–110) suggest a multi-phase process. According to them the opportunity recognition process consists of perception of the market needs and/or underemployed resources; of discovering a fit between specific market needs and resources; and creating a new fit between previously separate needs and resources. Instead of mere recognition the process is then formed of perception, discovery and creation. This implies to the study of multiple dimensions of opportunity recognition process and guides towards more holistic understanding of the process. (Ardichvili et al. 2003, 109–110.) From resource utilization perspective entrepreneurs decide to create a new business or expand the current one in new product-markets when there is an opportunity to use current resources better and more efficiently through new configurations of resources. Available resources are considered underutilized if they could generate more profit when used another way or manufacturing another product. (Kirzner 1978, 138.)

Perceiving an existing fit between market needs and current resources requires first matching the existing resources and the prevailing market needs, which can then lead to discovery of new markets that can be served with current resources (Kirzner 1978, 139). If perception of both market needs and underemployed resources is involved, creation of a new business concept is possible. Delivering new and superior value through new concepts requires redirecting or recombining existing resources. Business concept creation may involve drastic restructuring of the current business and become a radical innovation. (Ardichvili et al. 2003, 111.)

Opportunity recognition process according to Ardichvili et al. (2003, 110) is illustrated in the Figure 1. Perception of market needs and/or underemployed resources is always the first phase of opportunity recognition process. In the first option of the process development illustrated in Figure 1, only market needs or underemployed resources are perceived, not both of them. This first step is followed by the phase 2, discovering a fit between market needs and company's resources. Perception and discovery result into finding new markets that can be served with current resources. In this first type of an opportunity recognition process, no business concept creation phase as such is involved. (cf. Ardichvili et al. 2003, 110.) Despite this interpretation, made by Ardichvili et al. (2003, 110), concerning the absence of creation phase, it is worth remembering that rearranging resources requires creativity in any case and this aspect is fundamental part of the opportunity exploration process (Eckhardt & Shane 2003, 338).

The option 2 in Figure 1 illustrates the alternative process of opportunity recognition (cf. Ardichvili et al. 2003, 110). If opportunity recognition process is stimulated by the perception of both underemployed resources and market needs, the second step consists of discovering a new fit between previously unexploited resources and market needs. The third step might in this case lead to creation of new business concept through restructuring the current business and creating new means-ends. As the fourth box of the option 2 illustrates, the result from successful concept creation is serving current or new markets with a new business concept. (cf. Ardichvili et al. 2003, 110.)

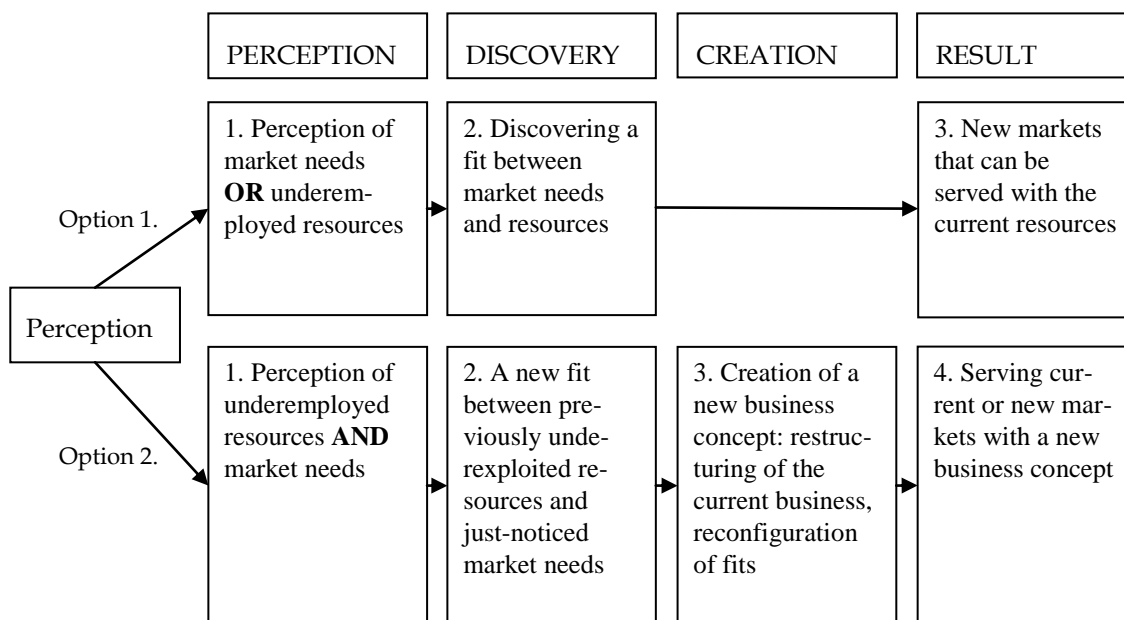


Figure 1 Opportunity perception, discovery and creation

Definitions by Ardichvili et al. (2003, 110) and Oviatt & McDougall (2005a, 540) can be regarded parallel and consisting of similar phases with different names given for them. Moving further in defining the international opportunity recognition Söderqvist

(2011) describes the exploration of international business opportunities to involve identification of or access to potential international buyers, retailers and cooperation partners, identification of regulations and legal requirements implying business opportunities, participation in international trade fairs and access to international visibility. According to Söderqvist (2011, 192) international opportunity recognition and exploitation is a parallel process to the recognition and exploitation of the initial business opportunity that the company started with. (Söderqvist 2011, 192.)

Being a complex process, all links and relevant factors are not perceived at once. Instead, entrepreneurs need to evaluate and question their ideas and match the pre-existing and new ends in the light of new information gathered throughout the process (Chandra, Styles & Wilkinson 2009, 43; Baron 2006, 111). The phases of the opportunity exploration process are likely to be repeated before new fits can be discovered and business concept developed (Baron 2006, 111). This gives the opportunity recognition process an iterative and cyclical nature consisting of overlapping phases and requiring both entrepreneurial alertness and activeness in order to succeed in the process (cf. Aviram 2010, 115; Ardichvili et al. 2003, 118).

## **2.2 Prior knowledge**

Entrepreneurship is largely about the implementation of new or innovative business. While established businesses are able to benefit from learning and experience, entrepreneurial companies face greater uncertainty due to the innovative dimension of their business. Uncertainty generates from entrepreneur's limited knowledge concerning the prevailing situation and handling it requires intuiting the missing information. (Butler et al. 2010, 125.) The more knowledge entrepreneurs have, the more uncertainty can be reduced. Especially vital knowledge is for small and medium-sized companies, which often lack extensive tangible resources, like finance. To be able to compete on the market SMEs need to compensate this shortage of material resources by intangible resources, among which knowledge has been proved to be difficult to imitate and hence give competitive advantage for SMEs. (Mejri & Umemoto 2010, 161.)

In addition to uncertainty reduction, information has a crucial role in opportunity recognition as such and it affects what people first of all even consider an opportunity (cf. Ozgen & Baron 2007, 178; Shane 2000, 451). With the help of prior knowledge entrepreneurs can evaluate new information, compare it to their current information and then make new connections, which might lead to opportunity recognition (Chandra et

al. 2009, 39). Differences in information that people possess affect what kinds of opportunities they recognize and evaluate positively (Shane 2000, 451<sup>1</sup>).

### 2.2.1 *Types and sources of knowledge*

In order to form a more coherent picture about the types of knowledge that are important for entrepreneurial processes, previous literature has introduced various categorizations, which offer insights into the nature and role of knowledge in opportunity recognition.

Shane (2000) introduces three important dimensions of prior knowledge in opportunity recognition:

- *Knowledge of markets* allows entrepreneurs to evaluate new information and make new connections that might lead to opportunity recognition. Prior knowledge about markets consists e.g. of information concerning supplier relationships or sales techniques (Von Hippel 1988). People's prior knowledge about markets will influence their discovery and decision of which markets they enter. (Shane 2000, 452.)
- *Knowledge of ways to serve markets* refers to the processes and technologies existing on a certain market. Understanding and being able to exploit opportunities offered by a new technology requires understanding the current processes and technologies on a market. A new technology might for example affect the production process, give access to new resources or allow the creation of a new product. (Shane 2000, 452.)
- *Knowledge of customer problems* is essential in order to understand what kinds of needs there are on the market and what kind of innovation could generate demand. Users of a particular product are the most common source of innovation and also most common innovators on the market. (Shane 2000, 452; Von Hippel 1988, 25.)

In addition to this, it has been argued that all types of companies are most likely to perceive opportunities in their area of expertise (Chandra et al. 2009, 51). These expertise areas can be categorized in two types, combination of which may lead to discovery of a new opportunity. The first area, person's special interest, consists of information, which its holder associates with attributes like fascination and fun. People are typically

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<sup>1</sup> Venkataraman S. (1997) The distinctive domain of entrepreneurship research: an editor's perspective. In *Advances in Entrepreneurship, Firm Emergence, and Growth*, eds. J. Katz, R. Brockhaus, JAI Press, Greenwich, CT.



engaged in learning in this area of knowledge, which increases the profound understanding of the topic further. The second type of knowledge is gathered through working in a certain job. It is rather the result of a rational choice than fun and deep interest. (Ardichvili et al. 2003, 114<sup>2</sup>.) Convergence of knowledge domains is suggested to be critical for the successful opportunity identification (Ardichvili et al. 2003, 120).

Different types of information have different sources. Ozgen and Baron (2007, 178) suggest social sources like mentors, industry networks and professional forums as information sources that enhance opportunity recognition and have direct effects on the discovery process. Related to socially generated knowledge they underline the importance of mental models, which help people to structure and organize new information. (Ozgen & Baron 2007, 179.) Knowledge can be divided into objective and experiential knowledge according to the source of its acquisition (Mejri & Umemoto 2010, 163; Nonaka & Takeuchi 1995).

*Objective knowledge* derives from written reports and other explicit material. It consists for instance of market knowledge, which represents one of the most important types of knowledge in opportunity recognition process (cf. Shane 2000, 452). The use of market knowledge is at its highest during the first phase of internationalization and intensity to use it decreases as the firm proceeds further in its internationalization. In the meanwhile experiential knowledge, learned only through personal experience and practice (cf. Nonaka & Takeuchi 1995) becomes more important. (Mejri & Umemoto 2010, 163.)

One important source of objective knowledge is individual's access to education. High educational level promotes the likelihood for opportunity recognition since it implies a broader knowledge base to be utilized. (Cohen & Levinthal 1990, 35, 39.) Operating in highly complex international markets and in knowledge-based business, an academic research background has been suggested to be a good platform for an entrepreneurial career. Traditional entrepreneurs have been found to make more use of experientially acquired knowledge. (Johannisson 1998, 298.) Education also facilitates access to knowledge by offering e.g. connections to alumni networks and other knowledgeable contacts. (Burt 1995, 75.) Human capital and networks relate this way to individual's access to information that stimulates the opportunity discovery in a certain market (Arenius & De Clercq 2005, 252).

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<sup>2</sup> Sigrist, B. (1999) Entrepreneurial opportunity recognition. A presentation at the Annual UIC/AMA symposium at Marketing/Entrepreneurship Interface, Sofia-Antipolis, France.

*Experiential knowledge* is composed of network knowledge, cultural knowledge and entrepreneurial knowledge, which all have implications to opportunity recognition theories (Mejri & Umemoto 2010, 163). The use of internationalization related experiential knowledge increases as companies operate more on international markets.

One of the main sources of information and international entrepreneurial opportunities are entrepreneurs' social networks (Ellis 2000, 461). *Network knowledge* is suggested to be most useful in the early stages of company internationalization but especially experienced firms rely strongly on experiential knowledge, which they have received from networks in the early stages of their foreign market entry. (Blomstermo, Eriksson, Lindstrand & Sharma. 2004, 368.) Yet both novice and experienced firms can take advantage of network knowledge, the intensity and efficiency to use network knowledge is greatest in experienced companies (Mejri & Umemoto 2010, 164; Blomstermo et al. 2004, 368). As the international experience on a particular market increases and the firm becomes embedded in the local network, the company is better able to evaluate the applicability and importance of a particular piece of experiential knowledge (Blomstermo et al. 2004, 368). Growing international experience accumulates also the number of personal contacts, which further increases the amount of information and, at the same time, likelihood for unexpected opportunity recognition (Chandra et al. 2009, 40–41). The role of networks in opportunity recognition will be discussed in more detail later.

Similar to experiential knowledge, also *cultural knowledge* and its utilization increase over time. As the company becomes more experienced in the foreign market, it learns about values, manners and ways of thinking of people in a particular market. (Mejri & Umemoto 2010, 164.) According to Uppsala model of internationalization, companies tend to first enter culturally close markets and then move further as the cultural knowledge accumulates (Johanson & Wiedersheim-Paul 1999, 28). Cultural knowledge may also form a distinct competitive advantage to companies, which through exposure to a certain culture have gathered tacit knowledge helping them to cope with cultural environment of one country or a particular cultural area. Understanding culture allows companies to bear greater uncertainties, which is crucial for the success in international markets and new ventures. (Butler et al. 2010, 127.)

The last type of knowledge in Mejri and Umemoto's model (2010, 165) is *entrepreneurial knowledge*, which implies to the knowledge concerning the existence of opportunities and how to exploit them. Supporting other opportunity recognition theories (e.g. Baron 2006; Shane 2000), Mejri and Umemoto (2010, 165) state that also opportunity recognition capabilities and knowledge of how to search for new business prospects improve as the entrepreneurs gain more experience. According to them, knowledge of how to recognize opportunities in domestic markets is useful in foreign market context even though the markets were different in their fundamental features. (Mejri & Umemo-

to 2010, 165.) In order to develop their entrepreneurial knowledge, young and inexperienced entrepreneurs may benefit from guidance given by mentors. Mentors, older and more experienced individuals, help entrepreneurs to give attention to important changes and trends e.g. on technology, markets and government policies. Mentors also offer them frameworks that can be useful in interpreting complex situations and help entrepreneurs to develop their own cognitive frameworks, which promote opportunity recognition. (Ozgen & Baron 2007, 177.) Using mental models and frameworks in opportunity recognition is related to pattern recognition (Baron 2006).

### **2.2.2 *Pattern recognition***

In order to understand how people benefit from knowledge, what makes knowledge so valuable, and why certain people recognize certain opportunities and others do not, opportunity discovery can be perceived through pattern recognition theory (Baron 2006; Gaglio & Katz 2001). Pattern recognition theory suggests that due to their individual experiences and knowledge, certain persons are able to form identifiable patterns from complex and seemingly unrelated events. *Connecting the dots*, as Baron (2006) puts it, results into mental patterns, which then become basis for identifying new patterns, e.g. opportunities (Baron 2006; Gaglio & Katz 2001). Previous studies of opportunity recognition report that experienced entrepreneurs have recognized opportunities this way. They have combined external factors into a meaningful pattern. (Baron 2006, 106.) Prior knowledge constitutes the raw material for constructing these prototypes and mental frameworks through which new information will be evaluated. The longer the experience an entrepreneur has, the more accumulated knowledge and more accurate and richer prototypes and mental models he/she has. (Baron 2006, 112, 114.) The stronger and clearer the mental frameworks, the more likely individuals recognize opportunities (Ozgen & Baron 2007, 179). In terms of internationalization, accumulated foreign market knowledge suggests more realistic perception of risk, which affects positively companies' openness to internationalization, new ideas and innovativeness (Chandra et al. 2009, 51; Jansson & Sandberg 2008, 67).

According to the theory, experienced entrepreneurs possess richer mental prototypes of what they perceive as "business opportunity". This allows them to search for new opportunities in a more systematic way starting with identification of changes in the environment and then moving on to connecting the dots into a new pattern. Their previous knowledge and mental models also allow them to better focus on factors that are likely to affect the success of their efforts to recognize and formulate new opportunities.

(Baron 2006, 112, 114.) Experienced entrepreneurs are therefore able and more likely to perceive international opportunities via engaging in active search for them, while novice entrepreneurs with limited prior international experience are more likely to discover opportunities combining their prior knowledge with new information obtained from multiple sources, like social networks. (cf. Chandra et al. 2009, 43, 51.) Hence, novice entrepreneurs are more likely to be fascinated with novelty and not being able to focus on the most relevant success factors in the opportunity development (Baron 2006, 112, 114).

On the other hand, clear mental models and frameworks allow individuals to recognize opportunities without conducting an active search for them. Accurate mental models offer a tool to process and evaluate new information and recognize opportunities arising from it. Habitual use of mental schemas enables entrepreneurs to notice opportunities without searching. (Gaglio & Katz 2001, 98.) In the lack of international experience, a deep expertise in company's core business have been found to help in opportunity recognition (Chandra et al. 2009, 43, 51).

Even though extensive prior knowledge generally enhances the opportunity recognition abilities and helps people to connect the dots between separate events and facts, it can also become a constraint in entrepreneur's performance and in the evaluation of opportunities (Baron 2006, 114; Zahra et al. 2005, 139). Long experience generates strong beliefs and established cognitive frameworks that become rooted in one's perceptions. Strong perceptions about essential success factors and key attributes of an opportunity may eventually hinder the ability to see opportunities that do not first seem to meet the requirements suggested by cognitive models. (Zahra et al. 2005, 139). Entrepreneurs become thus "locked in" by their strong mental models (Baron 2006, 114).

## **2.3 Network ties**

In addition to prior knowledge network ties have been found to affect entrepreneurial opportunity recognition (e.g. Söderqvist 2011; Ellis 2000; Holmlund & Kock 1998). In this chapter network ties are defined and their benefits for an entrepreneur and role in international opportunity recognition is discussed.

### ***2.3.1 Dynamics of network ties***

In order to manage chaotic and uncertain environments human interaction is required (Johannisson 1998, 297). This interaction forms threads between individuals, organizations and environments, and threads form networks in which different actors and parties

belong to (Dubini & Aldrich 1991, 306). Networks may have a system of shared norms if they are related to communities with strong identities or highly institutionalized professions (Johannisson 1998, 298). Through networks, competitive market has a *social structure*, where market players develop trust, dependencies and alliances with each others. Every entrepreneur and player in the market has a network of contacts, which has been developed over time and which consists of people the individual knows, has sometimes known and even the ones he/she will know. (Burt 1992, 9–11.) Network ties and relationships can also be activated after a long period of silence. Re-activated relationships can be then used along the entrepreneurial and internationalization processes. (Söderqvist 2011, 194.)

Person's self-image determines which connections are established, and as the nature of networks is dynamic, the most active part of one's network varies over time. Variation is strongest at the early phases of the entrepreneurial career. Networks have also a spatial dimension, local and regional socio-economic texture, which shapes them and is affected by entrepreneurial activity. All networks are unique and each entrepreneur is in the center of his/her network, and has an *egocentric network*. Each entrepreneur is also a member of collective networks formed e.g. on the basis of profession, trade or location. This kind of *socio-centric* network unites entrepreneurs who are some way related. (Johannisson 1998, 299–300.) Differences in these networks affect entrepreneurs' competitive advantage, and certain types of network structures and particular contacts seem to provide higher returns on investment than others. (Burt 1995, 9–11.) Today, major part of business exchange is conducted in networks (Johanson & Vahlne 2006, 168).

Networks can be described by their origin, type and strength. Origins of a network tie can be based on *direct* relationships, which are entrepreneur's own contacts that he/she has self-created previously e.g. at work, with friends and family members or through formal search activities aiming at developing the company. *Indirect* relationships, on the other hand, have been gained via intermediaries or brokers. (Söderqvist 2011, 170.)

Type of a network refers to the viewpoint of an individual or an organization. *Personal networks* are individual's own contacts that consist of all persons with whom an entrepreneur has direct relations and, for some cases, indirect relations through direct relations. *Extended or business networks* are constructed from interconnected personal networks and represent the collective result of contacts. Both personal and extended business networks are combination of pragmatic, instrumental ties, and emotional, spontaneously formed bonds. (Dubini & Aldrich 1991, 307–309, 311.) Term *social network*, which is often used in relation to networks, can be understood as a sub-network within the business network (Holmlund & Kock 1998, 49). All relations between owners, managers and employees of an organization, bankers, consultants, other firms, former col-

leagues, business partners and so on form a business network. In previous literature especially business networks, weak or strong, have been found most influential and helpful in generating new ideas and identifying potential linkages. They play hence a central role as sources for ideas that can become international business opportunities. (Söderqvist 2011, 34; Coviello & Munro 1994, 55–56.)

The *strength of a relationship tie* is determined by the amount of time, emotional intensity, intimacy and the reciprocal services involved. The stronger the tie between two individuals, the more likely their circles of friends is to overlap. When networks converge and ties between individuals belonging to them become stronger, the time spent with the particular network increases. (Granovetter 1973, 1361-1362.) While strength of the ties in a network increases and the network becomes denser, the relationships involved lead individuals into contact with the same people reached via other relationships. As a result, everyone in a particular network knows what the other people know. Therefore, they all tend to discover same opportunities at the same time. (Burt 1995, 17.) In the case of weaker ties and sparser network, one's contacts are not only tied to each others but also to individuals that are not tied to the one. Networks based on non-redundant ties offer hence gateways to further contacts having inexistent or limited relations to the entrepreneur himself. (Burt 1995, 17; Granovetter 1973, 1364, 1370–1376.)

These kinds of indirect contacts between people are often reached through *weak ties*, which can be defined as contacts between acquaintances and not involving intensive emotions or great investments of time. Weak ties function as channels for new ideas, influences and information that would otherwise be unreachable and socially distant from an individual. Accordingly, the more indirect contacts one has, the greater the access to knowledge and information beyond his/her own circle of friends he/she is likely to have. (Granovetter 1973, 1364, 1370–1376.)

Compared to *strong ties* where social intercourse within a particular group is intense and ideas mainly move inside the group, weak and indirect ties provide new influences and are found to increase potential for opportunity recognition more than strong ties do. (Granovetter 1973, 1364, 1370–1376.) Therefore, what matters more than just mere size of a network is the diversity of network and non-redundant contacts that lead to different people (Burt 1995, 17). Direct and strong ties are important because they provide emotional and intense links and form relations that entrepreneurs can count on, but also because they offer an indirect access to persons, organizations and information that lie beyond one's direct contacts. (Söderqvist 2011, 193; Arenius & DeClercq 2005, 250; Dubini & Aldrich 1991, 307, 309.) Both direct and indirect relationships are beneficial in entrepreneurial and internationalization activities. Among direct relationships there are often old relationships created at previous work positions and new relationships established through formal search. Important ties in terms of international opportunity

discovery have been found to be equally strong and weak, or even more strong than weak. (Söderqvist 2011, 179.)

Considering the findings about the nature of the ties, it is worth remembering that different types of network ties and relationships have been found to be important in different stages of international opportunity discovery and exploitation (Söderqvist 2011, 172). Networks are also *dynamic* in nature, which means that they may evolve in different directions becoming stronger, weaker, and more personal or more business orientated. Dynamism gives entrepreneur an opportunity to develop network ties to better answer to his/her needs. (Söderqvist 2011, 179; Burt 1995, 17.) Using bridgehead contacts enables entrepreneurs to access international relations of their current relationship (Söderqvist 2011, 194), and careful choice of their direct contacts enables entrepreneurs to leverage their connections and gain access to other valuable contacts (Dubini & Aldrich 1991, 307–309).

Term *networking* as a verb describes action of building relations and developing weak ties to stronger ones. It refers to expectation that often both parties wish to invest in a long-term relation, which creates trust and predictability between partners and their business, and enhances open communication and negotiations in relationships. (Dubini & Aldrich 1991, 307–309.) Trust is essential for solidness and durability of a relationship. While imperfect competition prevails, trust guides in which information to believe and reduces risks perceived by cooperative parties. (Burt 1995, 15.) Building mutual trust requires time and starts often to accumulate with relatively small transactions, which include only little risk and require little trust (Dubini & Aldrich 1991, 307–309). Commitment and non-opportunistic behavior promote the development of social bonds (Holmlund & Kock 1998, 51).

New relationships and cooperation may start as unexpected events or meetings, a successful first deal or systematic search for a partner (Johanson & Vahlne 2006, 169). Also ties derived from unsolicited orders are found to be commonly involved in international opportunity recognition. Nevertheless, new network ties, which are commonly formed at international trade fairs, play an essential role in SMEs' international opportunity identification (Kontinen & Ojala 2011b, 450). In addition to trade fairs, new relationships are often formed via brokerage by third parties (Söderqvist 2011, 193).

*Broker-initiated* exchange refers to trading opportunities that have been first perceived neither by the potential seller/exporter nor the buyer/importer but a mutually related third party. The role of broker is to bridge the potential trading parties together. Forging contacts they help entrepreneurs and companies to overcome challenges related to their resources. (Ellis 2000, 446.) Common brokers for international business transactions are e.g. government agencies, banks, trade or business associates, other entrepre-

neurs, former colleagues, different institutions, mentors and business innovation and start-up centers. Family members and friends may be brokers if they are also co-founders of the company. In addition to connecting parties to new relations, brokers offer also legitimacy. Good reputation and trustworthiness of a broker increase also the legitimacy of the new entrepreneur in the eyes of the third party. Brokers' importance as initiators of international business operations is recognized in the previous studies. (cf. Söderqvist 2011, 170; Ellis 2000, 446; Dubini & Aldrich 1991, 310.)

*Trade fair –initiated* exchange involves a strong element of chance. Accidental encounters of parties at a trade fair may lead to transactions, where initiator's role is unclear. As this kind of unexpected exchange and business opportunities have been found to be often discovered at trade fairs, trade fair setting can be argued to represent a special kind and very common initiation scenario for small international businesses. (Kontinen & Ojala 2011b, 450; Ellis 2000, 446.)

Whoever the initiating party is, it can be assumed that the initiator will prefer a partner who is likely to be committed in the business. If the initiator is a seller, the partner should be committed to promoting the seller's products. If a buyer is the initiator, the preference will be given to supplier that is known to be reputable. Taking the title to products indicates commitment towards promoting the trade. Simultaneously, the risk of the seller is reduced. (Ellis 2000, 448.)

In addition to describing and defining networks via the strengths of the ties, notions of density and reachability are often used. *Density* refers to the range of the ties between persons or organizations, and it can be measured by comparing the total number of present and existing ties to the potential number of ties that could exist if all parts of the network were connected to each others. *Reachability* describes a path between persons or companies. Paths can be compared based on the number of intermediaries needed before one individual is indirectly connected with another. (Dubini & Aldrich 1991, 309–310.)

### **2.3.2 *The role of networks in international opportunity recognition***

The role and nature of the networks varies in different stages of company's internationalization. Indirect relations are utilized to great extent in the early entrepreneurial processes implying the importance of brokerage. Especially other founders with varying backgrounds are important sources for new relationships and ideas. Business relationships have been found to be more important in companies' pre-founding, start-up and early internationalization phases, while entrepreneurs seem to rely more on personal relationships in later phases of the internationalization. Networks, both domestic and



international, which exist at pre-internationalization stage, are critical for the internationalization process to start (Söderqvist 2011, 172, 194–195).

First, even though a company would not actively search for international opportunities, the network may encourage it to start international operations (Kontinen & Ojala 2011a, 507; Mejri & Umemoto 2010, 164). Second, internationalization might be required also if a company wants to defend its position in a particular business network or if other firms in the same business network start relationships with foreign counterparts (Holmlund & Kock 1998, 50). Third, internationally experienced firms have been found to rely on the information gained from the networks they had at the time of their internationalization (Söderqvist 2011, 194; Blomstermo et al. 2004, 368), which suggests the importance of company's early networks. As a company becomes more experienced in its international operations, the utilization of network knowledge increases and the company has growing propensity to exploit social ties when making further foreign market entry decisions (Mejri & Umemoto 2010, 164; Ellis 2000, 449).

Doing business together companies are learning from each others. They become interdependent and their knowledge about each other's capabilities, routines and needs grows; their interaction becomes valuable and forms privileged knowledge, which becomes the basis for common business ventures and opportunity exploration. Parties can then discover and create new business opportunities that other companies cannot. After proving trustworthiness, they can move on to transactions involving bigger risks. If building mutual commitment and knowledge fails, the relationship is unlikely to lead to recognizing new opportunities and taking up riskier transactions. (Johanson & Vahlne 2006, 169–175; Dubini & Aldrich 1991, 307–309.) Successful networking represents hence a way of overcoming uncertainties that exist in market-like, impersonal transactions with other people (Dubini & Aldrich 1991, 307–309).

Parties, who have previously established relationship and developed trust, may initiate new cooperation with lower screening and evaluation costs than are usually required. Building commitment and trust with other party is less time-consuming in tie-based relations than in relationships that are formed through impersonal and not tie-based channels, like advertising. (Ellis 2011, 107.) Trusted relationships give access to reliable market information, reduce uncertainty and enhance company's openness to innovativeness and opportunity development in foreign markets (Chandra et al. 2009, 40, 51). As tie-based cooperation is faster to set up, it allows faster market penetration and quicker accumulation of sales and market share (Ellis 2011, 107). If there is no common history with potential exchange partners, entrepreneur's social ties are then useful for *screening and evaluating this prospective trade partner*. Prior knowledge of the potential partner's reputation and network knowledge related to working with the

focal partner reduce the exchange risk and create a basis for mutual trust. (Chandra et al. 2009, 40, 51; Ellis 2000, 448; Burt 1995, 14.)

Since firms often are part of various networks, cooperating companies become indirectly linked to each other's wider networks. Moreover, as networks develop shared knowledge, indirect linkages to other networks offer bridges to new knowledge and new opportunities. (Johanson & Vahlne 2006, 168; Dubini & Aldrich 1991, 309.) As illustrated in Figure 2, networks determine how and when information and ideas move. In Figure 2, entrepreneur's first-hand information and knowledge consists of his/her own experiential and of objective knowledge developed over time. As pointed out, however, this kind of knowledge constitutes only one part of the overall information and knowledge an entrepreneur may access. In addition to own objective and experiential knowledge, entrepreneurs get new information and access to knowledge via participating in various networks, in which all people within a network share their experiences and information. As people are part of various networks, they transmit information and knowledge between separate networks. Therefore, people involved in one network get indirect access to networks beyond the focal one. In Figure 2 below, different networks are linked to each other. They transmit the knowledge embedded in them. All the accessible information affects entrepreneur's overall knowledge and hence his/her mental frameworks and opportunity recognition capabilities (cf. Baron 2006).

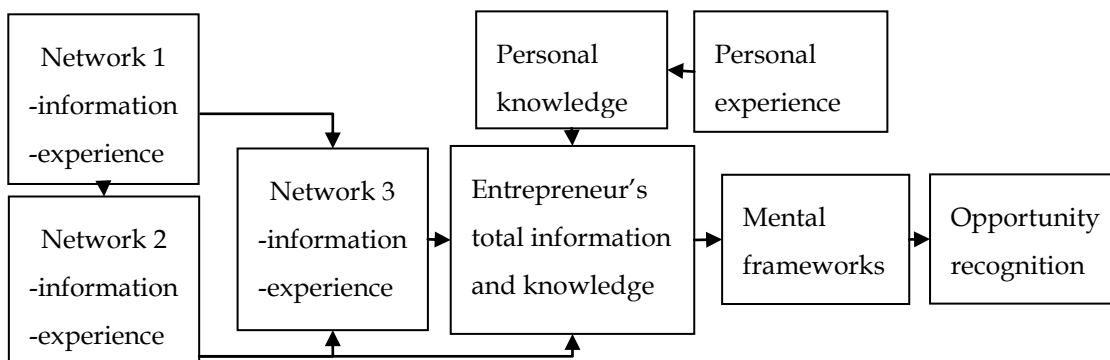


Figure 2 Networks as an access to new information and indirect contacts

Networks offer also a forum for discussion and sharing ideas, which is important for developing one's mental frameworks further. (Baron 2006, 113; Kaish & Gilad 1991, 56.) Discussing with other people in the hope of a new opportunity is especially important for novice entrepreneurs, who have not yet developed their expertise and insights in the business (Kaish & Gilad 1991, 58). As pattern recognition theory suggests, new information enriches entrepreneurs' mental models and stimulates opportunity identification. Diversity in size and structure of one's networks increases the amount of accessible information and hence competitiveness of the company. Important information for instance of new business locations, potential markets for goods and services and sources

of capital can be obtained through networks. Involving other companies with different capabilities and needs in their networks, firms enhance their opportunity development possibilities. (Johanson & Vahlne 2006, 175; Dubini & Aldrich 1991, 308.)

For small and medium-sized companies network ties and relationships are especially important (cf. Coviello, Munro 1997, 129; Coviello & Munro 1994, 50). In addition to providing access to new information, networks form a *gateway to new resources* and allow companies to increase their span of action (Holmlund & Kock 1998, 50; Dubini & Aldrich 1991, 309). Co-production, resource pooling and development of existing resources allow companies to create synergies, reduce costs and spread the risk. Adopting a co-operative stance rather than competition is often more beneficial for resource poor small companies. (Chandra et al. 2009, 51–54; Dubini & Aldrich 1991, 306.)

Further, SMEs' internationalization process is often guided by one person, whose knowledge, experience, *personal motives, resources and networks* affect the process strongly (Holmlund & Kock 1998, 60). When company decides to develop and exploit an international opportunity, social networks affect potential entry modes and future prospects of a company's networks. In order to gain any access to a network in a foreign country, certain contacts may also be required. (Holmlund & Kock 1998, 51). The foreign market entry mode a company chooses, affects further its future position in the network, which in turn affects the company's access to vital business information and therefore future potential for opportunity recognition (Baron 2006; Holmlund & Kock 1998, 51-53.) In order to strengthen and maintain its position in a network, the company has to develop bonds and adapt its relationships when necessary. (Holmlund & Kock 1998, 51–53.)

As the internationalization modes for SMEs often are indirect, *entrepreneurs are dependent* on other actors in order to access a foreign business network. (Holmlund & Kock 1998, 60.) At the time of their first international opportunity recognition, companies rarely have adequate knowledge about the local market conditions and therefore they often use local knowledgeable partners in the early phases of their internationalization. Knowledgeable partner then acquires the information needed for successful market entry. (Ellis 2000, 448; Holmlund & Kock 1998, 53.) The choice of the local partner depends often on the network contacts and relationships the company has (Holmlund & Kock 1998, 60). Especially international connections to potential buyers, retailers, and distribution and marketing channels can be attained via networks (Söderqvist 2011, 194).

The most common international operational modes for SMEs are salesmen and agents, which are but relatively easy and cheap to realize, but also have readily available networks on the local market. Using a native agent as an intermediary allows therefore a

quick access to local business networks and to necessary relationships. From the learning point of view, the use of an agent is nevertheless problematic. Since agents operate via their own networks on the local market and use the knowledge they possess, the internationalizing firm is neither able to accumulate experiential knowledge, nor develop and expand its networks. (Holmlund & Kock 1998, 55.) Particularly relevant relationships are in poorly developed institutional environments, where costs of evaluating and conducting business are higher due to uncertainties deriving from institutional inadequacies (Rangan 2000, 814). Also lack of objective information available is typical on underdeveloped markets. It makes companies more dependent on the locally-situated trade intermediaries and other social ties. (Ellis 2000, 460).

In addition to pure business related benefits, networks and relationships offer emotional support to entrepreneurs. The interest other people show and their belief in the business idea are crucial for entrepreneurs' willingness and courage to develop their ideas further. Business advice and support received from relationships are important throughout the entrepreneurial process from discovery to exploitation. (Söderqvist 2011, 193.)

Despite various advantages, networks also limit opportunity recognition. Tie-based opportunities have been found to be geographically, psychologically and linguistically restricted. Potential opportunities that could be identified beyond these communication horizons are missed by entrepreneurs trusting merely on ties. (Ellis 2011, 121.) Other drawbacks from relationship dependency include inefficiency or slowness because of bureaucratic relationships, conflicting visions for company development and passiveness among the owners (Söderqvist 2011, 193). Nevertheless, Söderqvist concludes in her study (2011, 193) that benefits of relationships clearly exceed the drawbacks.

## **2.4 Prior knowledge and networks as preconditions for entrepreneurial activeness and alertness**

In the following the roles and dynamics of prior knowledge and networks in relation to entrepreneurial activeness and alertness will be discussed.

### **2.4.1 *Activeness in search for opportunities***

Until recently, the research on entrepreneurship has often assumed that opportunities are recognized after a systematic search for them (Ardichvili et al. 2003, 114–115). Accordingly entrepreneurs have certain entrepreneurial mindset characterized by need for achievement and stimulated by fun and excitement. These features make entrepreneurs

actively search for new patterns containing opportunity laden information. (Pech & Cameron 2006, 61.) Further, entrepreneurs often have high self-efficacy and are self-confident, which makes them believe that they can develop opportunities successfully further and, as a result, they are more proactive in looking for them. Giving such mental support high self-efficacy assists entrepreneurs in their information search and processing. (Ozgen & Baron 2007, 187; Gaglio & Katz 2001, 99.) Also high reliance on social sources has been found to indicate high self-efficacy, and therefore the better the potential for opportunity recognition (Ozgen & Baron 2007, 180).

As pattern recognition theory suggests, active search for opportunities is encouraged by great amount of prior knowledge. Since experience and information tend to grow over time, abilities and preparedness to discover opportunities through deliberate search are found to be greater among established than young companies. Also experienced companies may, however, discover opportunities accidentally. (Chandra et al. 2009, 39, 51.)

When conducted via personal contacts, active search for opportunities has been found to give better results compared to search from public information (Baron 2006; Hills & Schrader 1998). Nevertheless, also formal search for international opportunities, for example via the internet, has a human dimensions since it is often motivated by existing relationships and social contacts. Meeting with strangers at trade fairs as another forum for formal search is likewise often encouraged by entrepreneur's current social contacts. (Söderqvist 2011, 195.)

Even though there is a lot of research underlining the role of active search for opportunities, most researchers argue today that opportunities are more often discovered accidentally. Opportunities become noticed through suddenly recognizing the value of new information that entrepreneurs just happen to receive (cf. Chandra et al. 2009, 52; Baron 2006.) Following pattern recognition, discovering opportunities without an active search is possible because of accurate mental models, which allow interpreting and matching new information with the existing one. This intuitive evaluation activity can be seen closely linked and similar to entrepreneurial alertness. (Ardichvili et al. 2003, 114–115; Kaish & Gilad 1991, 49.) After the initial unexpected opportunity recognition, enhanced by mental frameworks, has taken place, the role of active search for further information increases. The information is collected in order to evaluate and develop the opportunity further. This conscious search stage is called *entrepreneurial awareness*. (Aviram 2010, 115.)

### 2.4.2 *Alertness in opportunity discovery*

The idea of systematic search for opportunities has been criticized, because supporters of search models assume that entrepreneurs must always know what they are looking for. According to Kirzner (1978, 74), opportunities exist all the time and they are waiting to be recognized. Entrepreneurs respond to opportunities rather than create them (Kirzner 1978, 74). On the other hand, Kaish and Gilad (1991, 48) argue that opportunities are unknown but also inexistent before they are discovered or created. In contrast to Kirzner's view, their definition is based on the idea that opportunities emerge and become existent only when they are recognized or created by entrepreneurs. As both Kirzner (1978) and Kaish and Gilad (1991) define opportunities unknown before discovered, their definitions allow drawing the conclusion that entrepreneurs cannot actually search for opportunities because they do not know that those opportunities exist. Therefore, instead of being purely based on active search, opportunity recognition must involve alertness to notice changes or phenomena that imply the existence of particular opportunities. (Kaish & Gilad 1991, 48–49.) Recent literature calls this response *alertness* and introduces the concept of *awareness*, which is more related to the precise process of developing a certain opportunity further. Awareness includes the ability to evaluate the situation and the resources needed when reacting to the requirements rising from the situation. Despite the difference the current literature makes between the two concepts, the terms are often used as synonyms in the entrepreneurial research literature. (Aviram 2010, 111, 115.)

According to other definitions entrepreneurial alertness can be defined as a distinctive set of perceptual and information-processing skills (Gaglio & Katz 2001, 95) or as a concept describing an individual's continuous state of being "*on call*". Alertness represents therefore a reaction to a certain kind of stimulus. (Aviram 2010, 114.)

When some information comes forth, entrepreneurs need to be able to assess it and make a judgment about the existence of a potential opportunity. Therefore, alertness to entrepreneurial opportunities does not derive from problem-solving capabilities but from readiness to recognize market gaps when they occur. (Kaish & Gilad 1991, 48–49.) Alert persons are more sensitive to signals of market disequilibrium than non-alert individuals (Gaglio & Katz 2001, 100). This general alertness results into continuous search for information, which is not tied to working hours or expected places but happens constantly. This kind of entrepreneurial search for opportunities also takes advantage of less conventional information sources, like meetings with strangers, and relies more on risk signals than traditional managerial approach to scanning opportunities. In general, it has been found that entrepreneurs are more active in search for opportunities than other businessmen and managers. (Kaish & Gilad 1991, 48–49.) Developing and

evaluating the opportunities further also refers to the higher entrepreneurial awareness, or activeness (Aviram 2010, 115).

Alert individuals with accurate mental models perceive their environment correctly and comprehend how it is changing (Gaglio & Katz 2001, 98). According to Kirzner (1978, 66), entrepreneurs capture profits for example because of their superior knowledge of markets, resources and fruitful innovations. What matters the most, however, is not possessing the substantive knowledge itself, but rather alertness to knowledge *where* to find knowledge that matters (Kirzner 1978, 67). The theory of alertness suggests that while majority of market actors take information as given, alert individuals are constantly looking for change, which results in challenging entrepreneurs' current understanding. This kind of "thinking outside the box" can be defined as entrepreneurial alertness and it is likely to result in recognizing new opportunities. (Ozgen & Baron 2007, 179; Baron 2006; Gaglio & Katz 2001, 97, 99.)

Experts have more complex mental models, where extensive cross-links between different schemas exist. This allows quick detection of anomalies and recognizing developing patterns. Routine use of these mental schemas explains why alert entrepreneurs are able to recognize opportunities without searching. Differently activated mental models, their content and degree of complexity lead to various perceptions and interpretations and therefore to different assessments of opportunities among market players. (Gaglio & Katz 2001, 97-98.) The more familiar entrepreneurs are with customer needs, the higher cognitive capability and better mental schemes they have to solve the particular problems. An entrepreneur's ability to interpret has therefore a positive impact on innovativeness. (Hsieh, Kelley & Liu 2009, 11.)

As discussed previously, information enriches mental models and enhances the opportunity recognition (e.g. Ozgen & Baron 2007; Baron 2006). The reason why opportunity recognition potential is increased by accumulated knowledge results from the positive effects that prior knowledge has on entrepreneurial alertness and awareness. Entrepreneurs possessing great prior knowledge of customer problems and markets are more sensitive to market changes and problems in the markets. (Hsieh et al. 2009, 10.) As networks provide new direct and indirect contacts, they lead accessing new information and therefore increase the entrepreneurial alertness and potential for both domestic and international opportunity discovery (cf. Söderqvist 2011, 170; Chandra et al. 2009, 54; Hsieh et al. 2009, 10). Alertness to new opportunities is also positively affected by the information obtained from informal industrial networks. (Hsieh et al. 2009, 10; Ozgen & Baron 2007, 187.) Nevertheless, the role of mentors and professional forums, like conferences and seminars, remains unclear due to contradictory results in previous research (Hsieh et al. 2009, 10; Ozgen & Baron 2007, 187). In general it is has been con-

cluded that social sources of information promote the development of more accurate mental schemas and increase therefore the entrepreneurial alertness further. (Ozgen & Baron 2007, 187.)

Participating in different types of networks, e.g. partnerships, conferences, internet and social media, and hiring people with extensive international experience, knowledge and strategic positions in international networks, allow entrepreneurs generate diverse ideas and increase their knowledge base and entrepreneurial alertness for international opportunities (Chandra et al. 2009, 54). When entrepreneurial alertness is very high, active search for opportunities may be even unnecessary. Entrepreneurs are then so sensitive to opportunities that they perceive them without systematic search. Applying pattern recognition, ability to recognize opportunities this way suggests well developed cognitive models, which allow efficient processing and interpretation of new information. (Baron 2006, 112–113.) Nevertheless, a great amount of prior knowledge and experience seem to make active search for opportunities more relevant and common. As entrepreneurs possessing extensive prior knowledge know what and where to look for, their cognitive frameworks become ever richer and more accurate, which decreases the need for systematic opportunity scanning and allows entrepreneurs to trust more in their own ability to connect the dots and *just recognize* the opportunities when they occur. (Chandra et al. 2009, 52; Baron 2006.)

Previous foreign education, language proficiency and foreign residency also affect positively international entrepreneurial alertness, willingness and ability to search for international opportunities and willingness to accept uncertainty (Chandra et al. 2009, 49). It has also been found that companies that did not conduct an active search for opportunities but found new opportunities suddenly achieved payback on their projects more quickly (Ardichvili et al. 2003, 115<sup>3</sup>). In addition to prior knowledge, rich mental models and networks also certain personality traits of an entrepreneur have been found to enhance alertness to recognize opportunities. These features are creativity and optimism, need for fun and excitement and self-confidence (cf. Butler et al. 2010, 129; Pech & Cameron 2006, 61; Gaglio & Katz 2001, 99.) Otherwise the role of personal features in opportunity recognition remains unconfirmed (Ardichvili et al. 2003, 116).

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<sup>3</sup> Tech, R.D., Schwartz, R.G., Tarpley, F.A. (1989) The recognition and exploitation of opportunity in the software industry: a study of surviving firms. In *Frontiers of Entrepreneurship Research*, eds. Brockhaus, R.H., Churchill, W.C., Katz, J., Kirchoff, B.A., Vesper, K.H., Wetzel, W.



## **3 RESEARCH DESIGN**

### **3.1 Research approach**

In studies on SMEs' internationalization and even opportunity recognition, the research approach is often quantitative. Since research in international opportunity recognition, however, is an emerging area of study and both the business environment of the Baltic Sea region and the organic food industry are developing and changing rapidly, there are various unknown factors to be discovered. Qualitative research addresses to research problems dealing with ambiguous and complex context with unclear situational factors, which is the setting also for this study. Choosing the qualitative approach supports the aim to understand meanings and experiences, and to form a holistic overall understanding of phenomena. (Eriksson & Kovalainen 2008, 5; Hirsjärvi, Remes & Sajavaara 2004, 152.) Qualitative research approach seeks to provide rich descriptions about real-life (Hirsjärvi et al. 2004, 152).

An essential part of this study is to understand and define the role of different kind of networks and types of prior knowledge in international opportunity recognition process. These types of natural relations and consequences cannot be revealed through organized experiments. Instead, qualitative research approach and methods are required. (Syrjälä, Syrjäläinen, Ahonen & Saari 1994, 12–13.) Among qualitative methods, case study research is regarded appropriate for studies, in which complex conditions dominate the setting and the research topic is defined broadly. It is also one of the most commonly used research methods in studies concerning public policy, public administration and business. (Yin 2003, xi.)

Since opportunity recognition deals with values and meanings given to information and knowledge (cf. Ardichvili et al. 2003, 110; Eckhardt & Shane 2003, 337) and as the aim of this study is to understand and then describe the process, both meanings and discovering regularities can be defined as the main interests of this study (cf. Tesch 1990, 59). Following from the aim, the nature of the study is a descriptive case study, which seeks to richly illustrate a phenomenon within its context. In this study multiple cases are included in order to gain deeper understanding of the phenomenon. Using various cases also increases confidence in results and the findings can be regarded more robust. The empirical data is composed of seven interviews and one short conversation with people from six different companies. (cf. Yin 2003, 5, 110.) Interviewees, companies and case selection are presented in the following chapter.

## 3.2 Data collection

As mentioned, the research method applied in this study is multiple-case study. The cases were selected according to conceptual criteria, which is one of the key methods of sampling in qualitative research (Hirsjärvi et al. 2004, 152; Miles & Huberman 1994, 27). Since the nature of social processes is logical and coherent, certain individual features are more important than others in the sampling process. This makes some sampling choices more meaningful than others. (Mason 2002, 122; Miles & Huberman 1994, 27.) Qualitative sampling is hence purposive and also in this study certain case selection criteria were adopted (Miles & Huberman 1994, 27).

First, the case companies were required to be Finnish small or medium-sized companies operating in organic food sector. Second, they needed to have recognized international opportunities. Both inward and outward internationalization fulfilled the requirements. In case selection, the extent of international operations was regarded rather irrelevant since international opportunity recognition happens in both internationally experienced and novice companies. Paying less attention to the extent of international operations also broadened the scope of population and allowed more purposive case selection.

The case companies selected for this study were Bioferme, Riihipuoti, Raikastamo, Kankaisten Öljykasvit, Halva and Helsingin Mylly. Companies differ both in their sizes and international experiences. Four of the companies, Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit are quite young companies just starting their international operations, while other two, Halva and Helsingin Mylly, are more established and experienced in their internationalization. First-time international opportunity recognition is studied in the inexperienced and young companies, whereas discovering new opportunities in the current or new foreign markets is the focus in internationally experienced companies. This allows comparison between different development stages and maturity of the companies in relation to the international opportunity recognition.

Various requirements were also set for interviewees representing the case companies. They were required to have first-hand experience and key roles in making companies' internationalization decisions, and to be involved in generating, evaluating and developing international opportunities in the case companies. Extensive knowledge of the company as such was also demanded. For this study, altogether eight persons from the six case companies participated in the interviews. The companies' CEOs were interviewed in four of the cases: Merja Scharlin from Bioferme, Jean Karavokyros from Halva, Jyri Kähönen from Raikastamo, and Perttu Korolainen from Kankaisten Öljykasvit. Helsingin Mylly was represented by the head of the board, Maret Puhk, and the company's export manager, Lhassan El Farkoussi. Anni and Eeva Saari, representing Riihipuoti, are also both board members and play vital roles in the company's decision making.

Interviews with the CEOs of Raikastamo and Kankaisten Öljykasvit took place in cafés in Helsinki. Other interviews were conducted in company premises. The duration of the interviews varied from 45 minutes to one hour and twenty minutes. In order to increase the trustworthiness of the study, notes were actively taken (cf. Lincoln & Guba 1985). The main features of the interviews are listed in the following Table 1.

Table 1 Overview of the interviews

Company	Interviewee	Time	Duration	Location	Recording
<b>Bioferme</b>	Merja Scharlin, CEO	20.10.2011	1 hour 20 minutes	Bioferme headquarters, Kaarina	not recorded
<b>Riihipuoti</b>	Eeva Saari, Anni Saari, owners and board members	27.10.2011	50 minutes	Riihipuoti headquarters, Pöytyä	recorded
<b>Halva</b>	Jean Karavokyros, CEO	28.10.2011	45 minutes	Halva headquarters, Vantaa	recorded
<b>Raikastamo</b>	Jyri Kähönen, CEO	4.11.2011	45 minutes	Café Talo, Helsinki	recorded
<b>Helsingin Mylly</b>	Maret Puhk, head of the board	24.11.2011	45 minutes	Helsingin Mylly headquarters, Järvenpää	recorded
<b>Kankaisten Öljykasvit</b>	Perttu Korolainen, CEO	9.12.2011	45 minutes	Ciao! Caffè, Helsinki	recorded

An interview was regarded as the most appropriate research method because it is applicable for studies seeking to understand some phenomenon and aiming at deepening the existing knowledge. It is a flexible method where an interviewer can adapt questions and ask further questions and clarifications. (Eriksson & Kovalainen 2008, 82.) Interviewees' opinions and beliefs can be therefore easier traced (Hirsjärvi et al. 2004, 174–194). In this study, the interviews were realized as face-to-face interviews in the form of a semi-structured questionnaire. As Eriksson and Kovalainen (2008, 79) remind, the interview questions should help to answer the research questions without being the same. The interview questions presented in the empirical research were formulated from the previous research results and existing theories related to the sub-problems of the main research question. This kind of interview and research design is known as a pre-

structured qualitative design. (Miles & Huberman 1994, 17.) Prior instrumentation derived from the previous literature is hence justifiable throughout the study.

Semi-structured interviews were organized according to four themes arising from the theory, namely international opportunity recognition process, prior knowledge, networks and entrepreneurial alertness and activeness, which also form the sub-problems of the study. Koskinen, Alasuutari and Peltonen (2005, 109) recommend that in order to deal with the questions in depth, the number of questions should be limited to maximum 12 in theme interviews lasting from one to two hours. This recommendation was considered, and the most important questions related to the each theme were dealt thoroughly. The questionnaire was sent to the interviewees a few days before the interview via e-mail, which allowed the interviewees to prepare and better contribute to the study.

In addition to the primary data based on interviews, also secondary data, like statics, articles in newspapers, websites and publications and reports related to organic food industry and the Baltic Sea region were utilized in this study. This kind of data that needs no specific collection and exists irrespective, is in qualitative research often referred as naturally occurring data (Silverman 2001, 286–287). The use of multiple sources of data enhances the dependability and transferability of the research and is therefore encouraged (Eriksson & Kovalainen 2008, 294; Creswell 2003, 31).

### **3.3 Data analysis**

In qualitative research, data analysis starts already in the collection phase when doing an interview and observing the environment. Also in this study, the preliminary analysis was conducted during the interviews, which allowed asking further questions and clarifications concerning the themes arising from the interviews. Five out of six interviews were recorded. One of them was not due to the refusal of the interviewee. After the empirical data collection, recorded interviews were transcribed. This is recommended by various researches since it makes coding and formulation of the data easier and analysis more consistent. Transcribing the data also enhances the dependability of the study as it is then better documented and more traceable. Furthermore, it enables re-conducting analysis later from a different point of view and makes the data available for scientific society also for other studies. (Hirsjärvi et al. 2004, 210; Silverman 2000, 149.)

Following Berg's (2004, 267) order of analytical activities succeeding the data collection and transcription, the codes were identified in the data and transformed into themes, which were, as also Silverman (2000, 121) suggests, then reviewed in the light of the previous research and theories. When categorizing the data into themes, clustering was exploited. In this study, clusters emerged partly from the previous literature and partly from the empiric data. The idea of clustering is to understand a phenomenon by

grouping and conceptualizing factors in a data so that constructing meaningful clusters is possible. (Miles & Huberman 1994, 249.) Following the principles of clustering, the data was first read through various times so that emerging themes, or clusters, were recognized. In this study, for example personality traits, knowledge and contacts to other people were recognized as themes. After clustering, the codes related to each theme were systematically picked up and marked in colors in the data. Then the codes related to each theme were grouped into clusters.

Nevertheless, categorizing and clustering involves also risks. Factors and actions left out of categories may be ignored even though they would be relevant in the study. This relates to emergence of the false categories, which constitutes another risk for the analysis conducted by categorizing. (Silverman 2000, 147; Atkinson 1992, 459). The potential risks were addressed by creating the clusters based on both previous literature and empiric data, instead of only the data collected.

When moving forward to analyzing the relations between factors and clusters, recommendations related to data triangulation were followed and previous literature and theories were reviewed and compared with the results arising from the data. The accuracy of the interpretation was hence strengthened. (cf. Eriksson & Kovalainen 2008, 293.)

### **3.4 Evaluation of the study**

Evaluation of the study is based on the notion of trustworthiness consisting of credibility, transferability, dependability, conformability (Lincoln & Guba 1985).

*Dependability* of the study refers to research process, which needs to be logical, traceable and documented (Eriksson & Kovalainen 2008, 294; Lincoln & Guba 1985, 327–328). In this study, dependability was increased by describing carefully the data collection process and the theoretical framework of the study. Methods for analysis are explained and chosen themes are justified. In order to improve traceability and documentation of the study, interviews were recorded and transcribed. Also notes taken during the interview were rewritten by computer. This allows repeating the analysis based on the same material. Also further exploitation of the material and producing ever more accurate transcription was possible due to the recordings.

*Transferability* is about finding a connection between the conducted research and previous literature. The focus lies in tracking some sort of similarity between the research contexts. (Eriksson & Kovalainen 2008, 294; Lincoln & Guba 1985, 298.) In this study, transferability was strengthened by relying on prior instrumentation derived from existing theories and earlier findings (cf. Miles and Huberman 1994, 35). Nevertheless,

prior instrumentation and pre-structured data collection design with semi-structured interviews suggest also some risks. Due to them, the research is less-sensitive towards data that is not related to the previous conceptual frameworks. This may prevent important topics from being raised by interviewees, which creates a risk that something important and meaningful goes unnoticed. (Eriksson & Kovalainen 2008, 82; Miles & Huberman 1994, 18.) The problem was considered by presenting interview questions based on the existing theories and allowing open discussion where other themes and aspects could be highlighted. In the data analysis, the existing theories were evaluated in terms of the empirical results and other statements arising from the data were compared with the potential previous findings. In order to increase the creditability and to deeper understand the phenomenon, data consists of supportive and objecting theories and findings from previous literature, which results in recommended triangulation of data (cf. Lincoln & Guba 1985, 305–306).

There is also a philosophic debate about transferability of qualitative research approach. The challenge derives from the rules and explicit criteria that qualitative research is seen to lack when deciding whether or not there is a link between the findings and the previous research (Gephart 2004, 456). Difficulties arise since the interpretations about the question and results may vary (Eriksson & Kovalainen 2008, 82).

*Credibility* discusses whether the researcher is familiar enough with the research topic and whether the data is extensive and adequate to justify the presented claims. It also deals with the logic of links between observations and formulated categories. Demand for logic requires that also other researcher can draw similar conclusions and interpretations. (Lincoln & Guba 1985, 301–305.) Following the requirements of good credibility, the study was conducted in a time period of several months, which guarantees that sufficient time has been invested in learning and understanding the phenomenon. Research problem has been observed persistently in order to recognize regularities. (cf. Lincoln & Guba 1985, 301, 304.) The data collected for this research consists of seven interviews and one shorter conversation with representatives from six different companies. Based on the interviews, categories and themes were formulated. Categories and themes are a result of comparing factors and codes from the collected material. The formula used during the interviews was the same for all but the first interview, in which case the interview was slightly less structured. In order to get more accurate answers and to better focus on the subject, more structured questionnaire was successfully formulated.

*Conformability* of the research refers to linking the findings and interpretations with the data so that the reader can easily understand it (Lincoln & Guba 1985, 323). In the following chapter of this study, each company is first analyzed as a unit and short comparisons to other interviews in the study are made. At the end of each chapter, findings are summed and discussed in general. During the analysis, references to previous litera-

ture are made and findings' standing in relation to earlier ones are pointed out. The interpretation is based on the data and referred previous findings. Transcriptions of the interviews enhance the conformability of the study, since they enable to revise and reread the interviews instead of trusting only to listening or to notes taken during the interviews.

## 4 RESULTS OF THE STUDY

### 4.1 Introduction to interviewees and companies

As introduced in chapter 3.2, there are six case companies represented in the study: Bioferme, Riihipuoti, Raikastamo, Kankaisten Öljykasvit, Halva and Helsingin Mylly.

The CEO of *Bioferme Ltd*, Merja Scharlin, was the first person interviewed for the study. Bioferme is a family-owned company and it produces plant-based and organic food products. Bioferme employs around 15 people and its net sales in the year 2010 amounted to good 3 Million Euros (Yritystele). In addition to Finland, Bioferme sells its products via agents or other intermediaries in Sweden, Russia and the Baltic States. Compared to other companies in this study, the level of its internationalization can be regarded medium. The main product of the company is Yosa, which is the first product in the world made by fermentation of oat and utilizing selected pro-biotic lactic acid and bifid bacteria. Bioferme owns the patent for the bacteria used in Yosa products and product development is continuously important for the company. Yosa smoothies were awarded in the organic product of the year competition in 2009. Merja Scharlin has a master's degree in agriculture and she started her own business already in the late 1970s'. From the very beginning, Scharlin has had the idea of utilizing and producing only fresh, natural products with no extra additives or preservatives. Later she has expanded her business into fermentation based production, which has led to the development of Yosa. (Scharlin, interview 20.10.2011; Bioferme.)

Second company presented in the research is *Riihipuoti Ltd*, which produces organic grain products. Family-owned Riihipuoti is situated in Pöytyä, Southern-Finland, and it employs around 5 persons. Company started in 1994 as a garden center, florist and gift shop, but it soon expanded to grain products. In the beginning, both conventional and organic products were sold side by side, whereas only organic production happens today. The company was titled the organic entrepreneur of the year in 2007 by Luomuliitto, the organization for Finnish organic products. From Riihipuoti, two persons were interviewed: Eeva Saari, one of the founders of the company and her daughter Anni Saari. As the company is controlled and guided by family members, all decisions are made together. The family has, however, shared areas of responsibility. Eeva, knowing the history of the company was important source for background knowledge and offered a long-term view of the company. Anni, on the other hand, is today responsible for internationalization and she has participated in educations and programs organized by different institutions. She offered therefore crucial information about international opportunities and had the most extensive prior knowledge related to internationalization. Currently, the company has some sales to Germany, but its level of internationalization



is low. Nevertheless, it is aiming at further internationalization. (Saari, A., Saari, E., interview 27.10.2011; Riihipuoti.) Riihipuoti's net sales in 2010 were roughly 350 000 Euros (Yritystele).

The fourth company represented in the study is *Raikastamo Ltd*. This small company has been founded in 2008 by six partners, who shared their interest in organic food, apples and beverage industry and who were brought together by one of the founders. All of the six founders have other professions and they work for other companies in addition to Raikastamo. The company markets, sells and bottles fresh fruit juices made of organically grown apples, oranges and blackcurrants. International operations of Raikastamo consist of importing, which has been involved from the very beginning of the company since 2008. Differing from other companies represented in the study, Raikastamo has hence not yet started exporting. Nevertheless, it is planning to do so and it has recognized attractive opportunities in foreign markets. In this study, the level of internationalization in Raikastamo is regarded low due to the lack of export activities. Currently Raikastamo employs less than five persons and its net sales in 2009 amounted to 16 000 Euros (Yritystele). Raikastamo's apple juice was awarded the title organic product of the year in 2009 by Luomuliitto. (Kähönen, interview 4.11.2011; Luomuliitto ry.)

Under the patented trade mark *Virgino*, *Kankaisten Öljykasvit Ltd* produces cold-pressed rapeseed oils in Turenki. The company has been founded in 1994. Currently it employs five persons and has turnover of around 2 Million Euros. A lot of its operations are outsourced. Kankaisten Öljykasvit has around 10 % market share in Finland and its products can be found in all central chain stores. Virgino oils have scientific evidence of their health effects, which forms the product's main argument on foreign markets. Currently the company has little sales to Italy and it has just started exporting to Russia. The level of its internationalization in comparison to other companies in this study is medium. Perttu Korolainen, the CEO, has started in the company in 2005 when the owner of the Kankaisten Öljykasvit had just changed. Currently the company is owned by Janne and Kalle Fazer, but it is not part of the Fazer conglomerate. Even though Korolainen is not the owner of the company and an entrepreneur himself, he is suitable for the study because he makes decisions related to internationalization, searches for new opportunities and develops them further. Korolainen has previous experience from food industry and international markets. (Korolainen, interview 9.12.2011.)

*Halva Ltd*, the third company in the study, is a family-owned, middle-sized company, which produces and sells licorice and other sugar confectionary products. Halva has been founded in 1931 and it has headquarters in Helsinki. (Halva Oy Ab.) Halva's net sales in 2010 amounted to almost 13 Million Euros (Yritystele) and it employed a good 70 people (Fonecta). The interviewed person was Jean Karavokyros junior, the chief

executive officer of the company, who is the grandson of the company's founder Jean Karavokyros senior. Family Karavokyros has roots in Greece, from where the founder Karavokyros moved to Finland in the 1920s'. Jean Karavokyros, the current CEO, has been the head of the company for the last 11 years. Halva started its international operations already in the 1980s' and it has sales in roughly twenty countries around the world, mainly in Western countries. The extent of its international operations is vast in comparison to smaller companies in this study. From the companies in this research, only Helsingin Mylly can be regarded more internationalized than Halva due to its subsidiary on foreign markets. Halva started its production with its famous licorice sweets, which are the most important export products for the company even today. With the rise of new food trends and demand for pure and healthy food, the company has started to produce also organic products in addition to its conventional sweets. (Karavokyros, interview 28.10.2010; Halva Oy Ab.) In the case of Halva, the analysis concentrates on opportunity recognition in more experienced phases of internationalization.

*Helsingin Mylly Ltd* is a medium-sized family-owned company situated in Järvenpää, near Helsinki. It employs around 50 people in Finland and 20 in Estonia. Also in Russia, the company has two sales representatives. In addition to headquarter in Helsinki and production unit in Vaasa in Finland, the company has a subsidiary in Estonia, which makes Helsingin Mylly the most internationalized company in this study. Helsingin Mylly was founded in 1934 by Estonian industrialist Edward Puhk. Family Puhk had started in flour-mill industry in Estonia and decided to expand the business in Finland. The operations in Estonia ended, however, and only the mill in Finland continued its work. In succession to Edward Puhk, his son and grand-son became the leaders of the company. Today Edward Puhk's grand daughter, Maret Puhk, is in the lead of the company as the president of the board since more than last ten years. In this study, Maret Puhk was interviewed but also Lhassan El Farkoussi, the export manager of Helsingin Mylly, participated in the conversation. Helsingin Mylly started its international operations to Russia already in the 1980s' and has thus long experience from internationalization and foreign markets. For international markets, Helsingin Mylly sells private label products and produces flakes e.g. to Coop Nordic. Exports consist mainly of organic products. In the year 2010, the company's net sales amounted to almost 25 Million Euros. Helsingin Mylly was awarded the title of organic company of the year in 2006 and in 2010 their organic rye and wheat chips were chosen the organic product of the year. (Puhk, interview 24.11.2011; Helsingin Mylly Oy; Yrityste.)

The following Table 2 summarizes the case companies, their size in terms of personnel and net sales, stage of internationalization and the year of founding the company.

Table 2 Company overview

	Personnel	Net sales €	Internationalization <sup>4</sup>	Founded in	Interviewee(s)
<b>Bioferme</b>	15	3 MIL	2	1982	Merja Scharlin, CEO
<b>Riihipuoti</b>	c. 5	0,35 MIL	1	1995	Eeva Saari, Anni Saari, board members, operational managers
<b>Raikastamo</b>	c. 5	0,016 MIL <sup>1</sup>	1	2008	Jyri Kähönen, CEO
<b>Kankaisten Öljykasvit</b>	5	2 MIL	2	1994	Perttu Korolainen, CEO
<b>Halva</b>	70	13 MIL	2,5 <sup>2</sup>	1942	Jean Karavokyros, CEO
<b>Helsingin Mylly</b>	70	25 MIL	3	1958	Maret Puhk, the head of the board; Lhassan El Farkoussi, export manager

<sup>1</sup> in 2009

<sup>2</sup> direct sales to importers, no subsidiaries abroad

Comparing company features allows grouping case companies into two categories. Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit are small, rather young and internationally less experienced companies, while Halva and Helsingin Mylly represent medium-sized, established and internationally experienced companies. The role of these differences is further discussed when seeking to explain the results of the study.

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<sup>4</sup> In defining the level of internationalization, the scale introduced in chapter 2.1 (cf. Johanson and Wiedersheim-Paul 1999) is utilized. Accordingly the number 1 refers to no regular export activities, number 2 to exporting via independent representatives, e.g. agents, number 3 to having a sales subsidiary abroad and number 4 to international production and manufacturing facilities. Since Halva is exporting directly to importers and has no subsidiary abroad, it is considered to be middle of the stages number 2 and 3.

## 4.2 International opportunity recognition process

As the theory suggests, process of opportunity recognition seems to consist of various phases. After discovering the first idea implying a new opportunity for the company, the second step is learning more about the market with its features and legal aspects. The value and prospects of the opportunity are evaluated when an overall picture of the situation has been built. (cf. Söderqvist 2011; Oviatt & McDougall 2005.) In the following, the international opportunity recognition process is analyzed in each of the case companies. At the end, the main findings of the section are discussed.

### Bioferme: international opportunity recognition process

As Ardichvili et al. (2003, 109–110) present, perception of market needs or underemployed resources is often the first phase in opportunity recognition process. In Bioferme's case, the international opportunity exploration was encouraged by the need to grow because of high research and development expenses. Capacity of the new factory made the expansion possible. When considering international opportunities for Bioferme's Yosa product, Merja Scharlin discovered market needs in Sweden. While Yosa is non-dairy, oat-based yoghurt it answers to the needs of lactose intolerant people. Similar to Finns, also Swedes have strong genetic likelihood for lactose intolerance, which suggests the existence of international demand and therefore gives a rise to the international opportunity exploration (cf. Söderqvist 2011, 192; Ardichvili et al. 2003, 109–110). Perception of a market need was followed by discovering a fit between the demand, Yosa product and Bioferme's resources e.g. capacity to supply the product to international markets. Further evaluation and exploration of the opportunity (cf. Oviatt & McDougall 2005a, 540) led Scharlin to understand the type of resources required for the internationalization and that outsider assistance was needed. In order to win foreign liability related to international markets, the company decided to get an agent, who had required prior knowledge related to Swedish market (cf. Holmlund & Kock 1998, 55). As exploring an international opportunity often involves (Söderqvist 2011, 192), Bioferme also attended an international trade fair where partner for package design was found. This way Bioferme was able to acquire resources it lacked for the internationalization and opportunity exploration. Evaluation of the opportunity led finally to discover new markets with mainly existing resources. (Scharlin, interview 20.10.2011.)

### Riihipuoti: international opportunity recognition process

Initial business idea of Riihipuoti, run by family Saari, is strongly related to underemployed resources. In the beginning of the 1990s', family Saari bought an old real estate in Pöytyä with a mill on the back yard. As the recession of the 1990s' stroke and Eeva Saari's husband Hannu Saari became unemployed, family suddenly had both un-

deremployed human and material resources available. *We had a big backyard and when my father became unemployed, when the recession stroke, we understood that something should be figured.* (Saari, A. interview 27.10.2011.) After a meeting with an old friend from school and exploring the idea and its possibilities further, the flour-mill business was started as a side job and grain products' marketing begun. In Riihipuoti's initial business idea, the new fit between unexploited resources and market demand was created and new business concept was formulated (cf. Ardichvili et al. 2003, 109–110). In international opportunity recognition, however, perceiving the demand at an international trade fair in Germany gave the first impulse for internationalization. Besides perceiving the demand, exploring the opportunity has involved identification of regulations and customs in foreign markets. For example in Germany, Riihipuoti faced a problem related to translation of language and scales. Taking part in exporting programs, educations and partnership programs has been involved in international opportunity exploration in Riihipuoti. (cf. Söderqvist 2011, 192.) Nevertheless, matching the company's resources with the international market needs is challenging for internationally inexperienced small company with limited resources. (Saari A, Saari E, interview 27.10.2011.)

#### Raikastamo: international opportunity recognition process

International opportunity exploitation was one of the starting points for Raikastamo. The business idea of the company started initially from the perception of underexploited resources, namely apple garden, and from a handful of people interested in apple farming. Existing resources led this group of people to map market demand. Results from the market study suggested demand for organic products, which resulted in importing organic apples from Estonian apple farm owned by one of the Raikastamo's co-founders. Underemployed resources were now put in use and Raikastamo's business concept as organic beverage producer was formulated (cf. Ardichvili et al. 2003, 110<sup>5</sup>). Currently the company sells its juices only in Finland but internationalization is being planned. Especially interesting markets are seen in Nordic countries where organic beverage market is growing in double digits. These opportunities based on the perception of market need (cf. Ardichvili et al. 2003, 109–110) are evaluated and matching between existing resources and capabilities is occurring (cf. Oviatt & McDougall 2005a, 540). According to Kähönen (interview 4.11.2011), exploration and evaluation of future

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<sup>5</sup> McGrath & Venkataraman (1994) Present promise, future payoff? The nature of expectations in internal corporate ventures. Working paper, Sol Snider Entrepreneurial Center, Wharton School, University of Pennsylvania.

international opportunities is going to consist at least of a market study, participating in international trade fairs and finding suitable local partners, who are familiar with the market features, regulations and so on (cf. Söderqvist 2011, 192).

#### Kankaisten Öljasvit: international opportunity recognition process

In the case of Kankaisten Öljasvit both underemployed resources and market demand have led to international opportunity recognition. *There were remarkable investments made in the new factory. We had then a lot of capacity, which made it possible to seek for new new markets.* (Korolainen, interview 9.12.2011.) Since the core of the product is in its health effects, these features create basis for the potential market demand. According to Korolainen (interview 9.12.2011), international opportunity exploration process in the company has started from scanning and perceiving market needs related to health aspects. Then the current resources were matched with the needs serving these new markets with the current product was possible. Selling cold-pressed rapeseed oil in capsules as a nutrition additive in Italy can be, however, regarded as a creative solution and a new business concept as such (cf. Ardichvili et al. 2003, 110<sup>6</sup>). Oil itself formed an underemployed resource, which could be used in various ways. Since Italy is a difficult market for food oils, it required another approach and another form of the product. Matching the resources and needs, a new fit and concept were created. According to Korolainen, exploration of international opportunities has involved e.g. participating in export programs, conferences and events, building partnerships, networking, fact-finding travels and market studies. (Korolainen, interview 9.12.2011.)

#### Halva: international opportunity recognition process

For Halva the perception of international opportunities is strongly related to market needs. Being an established company with long experience in business and international markets, the company is able to develop its resources to meet the requirements and face the challenges deriving from the changing customer demands. In order to answer the trends, Halva has for example expanded its selection to organic licorice products, which describes its ability to perceive market needs, match its resources with the need, develop its resources further and answer to needs on new markets with its current, dynamic resources. In exploration of international opportunities, Karavokyros (interview 28.10.2011) underlines the importance of finding a good international partner concentrating on selling and promoting Halva's products. A dedicated importer opens chan-

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<sup>6</sup> McGrath & Venkataraman (1994) Present promise, future payoff? The nature of expectations in internal corporate ventures. Working paper, Sol Snider Entrepreneurial Center, Wharton School, University of Pennsylvania.

nels to international visibility and decreases the obstacles related to different legislation and cultural differences e.g. in marketing. Also international trade fairs in sweets' industry offer an important way of exploring cross-border opportunities. (Karavokyros, interview 28.10.2011; cf. Söderqvist 2011, 192.)

#### Helsingin Mylly: international opportunity recognition process

International opportunity mapping in Helsingin Mylly is largely based on market needs. *We export there where the products are needed, where we find customers. – Products are adapted according to the customers' need.* (Puhk, interview 24.11.2011.) Yields around the world affect the need and based on them the export manager of the company markets products to potential old and new contacts. New international opportunities hence often derive from the perception of a market need, which is then rather simply matched with company's existing resources. Being one of the biggest organic oat producers in Europe, Helsingin Mylly has capacity to serve various markets. Good reputation, long experience and quality products guarantee great demand. As already mentioned also new products are developed in research and development department, even though the company has a solid position and new markets can often be served with current resources. Adapting the model by Ardichvili et al. (2003, 109–110), these new products and developing resources can be interpreted to be either dynamic resources that lead to discovering new markets with the current, evolving resources or they can be regarded as unexploited resources until discovering a new fit between them and new kind of market demand. When exploring international opportunities, international trade fairs, networking, reports, mapping the markets, international visibility, reputation and finding good partners are mentioned to be involved. (Puhk, interview 24.11.2011; El Farkoussi conversation 24.11.2011.)

#### Summary on international opportunity recognition process in the case companies

To conclude, it is easy to state that both underemployed resources and market needs have led to opportunity recognition in companies presented in this study. In Bioferme, Riihipuoti and Raikastamo the creation of the initial business idea has involved perception of both underemployed resources and market needs, which has then resulted in discovering a new fit between currently underexploited resources and recently discovered market needs. The discovery has led to creating a new business concept or business idea. In international opportunity recognition, however, perceiving market needs that can be served with current, or developing current sources slightly, is more common among the companies in this study. All of the case companies track new market related opportunities and stay aware of the changing trends in customer demand. However, on-

ly Korolainen from Kankaisten Öljykasvit mentioned creating a new kind of product for Italian market in order to meet the demand and take advantage of the resources the company has. It can be therefore concluded that in the light of this study international opportunities are more often recognized through perception of market needs than unde-rexplored resources. Creating new business concept for international markets is mentioned only by one out of six interviewees.

The definition of opportunity recognition presented by Ardichvili et al. (2003, 110) and Oviatt & McDougall (2005a) is clearly supported by the results of this study. All phases from perception and discovery, enactment and evaluation and exploitation or new market or concept creation can be seen arising from the empirical study. As Söderqvist (2011, 192) suggests, also factors like recognizing partners, potential buyers and legal requirements have been involved in the international opportunity recognition of the companies in this study. It can be hence concluded that international opportunity recognition consists of multiple stages and phases as the previous literature suggests (cf. Söderqvist 2011, 192; Oviatt & McDougall 2005a, 540; Ardichvili et al. 2003, 110).

As already mentioned, the model by Ardichvili et al. (2003, 109–110) could be developed further in order to better illustrate the dynamics of what is called *current resources* in the model. While answering to changes in business environment requires ever quicker actions and adaption from companies, their resources need to be dynamic and inherently flexible. Since human capabilities are today largely the most important sources a company has, it would be natural to assume *current resources* containing an element of gradual change and adaption.

### **4.3 The role of prior knowledge in international opportunity recognition**

Importance of prior knowledge is present throughout the study and it was mentioned by all interviewees. Following Shane's (2000) three dimensions, *knowledge of markets* and *knowledge of customer problems* gain a lot of support as important types of knowledge in opportunity recognition. Also *knowledge of ways to serve markets* has resulted in taking advantage of certain technologies. (cf. Shane 200, 452.) Analyzing the nature of the opportunities that interviewed individuals have exploited gives support to previous findings concerning the perception of opportunities in one's expertise area (Chandra et al. 2009, 51). The following chapter discusses the role of prior knowledge related to international opportunity recognition in the case companies.



### Bioferme: prior knowledge in international opportunity recognition

Bioferme's Scharlin became deeply interested in fermentation while she focused on the previous main product of the company, sauerkraut. Running the business allowed her to learn and gather knowledge about the chemical process. Later, the pro-biotic Yosa product was created. (Scharlin, interview 20.10.2011.) In Scharlin's opportunity recognition process for Yosa, both expertise areas, personal special interest and knowledge gathered through working in a certain job, were clearly involved and a successful opportunity was identified (cf. Ardichvili et al. 2003, 114<sup>7</sup>, 120). Still, contrary to the assumptions made by previous research, it cannot be stated that Scharlin's work position, where she learned about fermentation, was only a rational choice (cf. Ardichvili et al. 2003, 114<sup>7</sup>). Instead, it involved a great amount of personal interest and she was pouring her heart and soul in the innovative product development, using a lot of her non-working hours for developing ideas and searching for information (Kortela 2011, 9). This communicates Scharlin's entrepreneurial alertness (cf. Kaish & Gilad 1991, 48) and illustrates the overlapping nature of theoretical expertise categories (cf. Ardichvili et al. 2003, 114<sup>7</sup>).

In international opportunity recognition process, knowledge of markets and customer problems seem to have played more important role than Scharlin's expertise areas as such. Her knowledge of markets and customer problems derived both from objective and experiential knowledge (cf. Nonaka & Takeuchi 1995). Thanks to actively following the academic discussion, being part of various research projects and participating in seminars and other events, she was aware of the scientific development of fermented products in Sweden and of the widespread lactose intolerance in the country. Scientific networks, projects and other forums became this way an important source for knowledge. She saw demand for pro-biotic non-dairy products in Sweden. Reflecting her understanding about cultures and habits, she was also conscious of the need to develop the taste of the product for international markets and communicate the health effects differently in different markets. (Scharlin, interview 20.10.2011; Kauralla, marjoilla ja – , 2010.) Nevertheless, the amount of experiential cultural knowledge was very limited at the time of international first-time opportunity recognition. Implying rather intuition and feelings than knowledge, Scharlin says they *found Sweden a suitable market since they felt that Swedes think a bit in a same way*. Scharlin points out that they had no international experience that time and in order to win this challenge, they hired an agent

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<sup>7</sup> Sigrist, B. (1999) Entrepreneurial opportunity recognition. A presentation at the Annual UIC/AMA symposium at Marketing/Entrepreneurship Interface, Sofia-Antipolis, France.

and got assistance from Finnish-Swedish chamber of commerce. The lack of previous cultural knowledge of Swedish market suggests that objective knowledge derived from articles and reports, network knowledge gained through working in various projects composed of people from varying backgrounds, and entrepreneurial knowledge gathered through long experience as an entrepreneur played the main role in Scharlin's international opportunity recognition. (Scharlin, interview 20.10.2011; cf. Mejri & Umemoto 2010.)

#### Riihipuoti: prior knowledge in international opportunity recognition

At the time of the initial opportunity recognition by Riihipuoti's Hannu and Eeva Saari, their prior knowledge of flour-mill industry and markets for grain products was limited. Hannu was, however, very interested in organic and additive-free products and Eeva had entrepreneurial experience from running a florists' (cf. Chandra et al. 2009, 51). With marketing and tasting campaigns Eeva and Hannu Saari created the demand for their products and learned about customer problems and the Finnish food industry. They also found their way of serving the market with hundreds of years old milling traditions. (Saari, A., Saari, E., interview 27.10.2011.) In opportunity recognition process of Hannu and Eeva Saari, it seems thus that together with underemployed resources their special interests and their ability to sense the demand have been crucial. Their previous jobs as horticulturist and HPAC engineer do not suggest that knowledge gathered through working in those positions would have enhanced their knowledge over flour-mill business. Despite the lack of this knowledge that accumulates through working in a certain job, the opportunity identification has been successful. (cf. Ardichvili et al. 2003, 120.) This might be explained by the incremental learning and fast accumulating expertise in the flour-mill business. Given the active contacting and networking of the family Saari, the lacking industry knowledge can have been attained through networks (cf. Ellis 2000, 461). Both Eeva and Hannu Saari have also lived their lives on country side and *they are used to work hard*, as Eeva Saari puts it. Understanding agriculture because of its importance in their living environment can also be one of factors explaining the success.

The initial international opportunity was recognized when market demand was perceived on a trade fair in Germany. Barley, Riihipuoti's main product, is but healthy and tasty, but also rather rare product in Middle-Europe. Discovering demand is one of the most crucial phases in international opportunity exploration (Söderqvist 2011, 192). At the time of international opportunity recognition, Riihipuoti had gathered visibility on the Finnish market, a lot of knowledge about organic food markets and customer problems. By participating in different kind of partnerships, exporting and educational programs, they had also been able to build an extensive network that they used actively in their business in order to get new information, contacts and other support. Hannu and

Eeva's daughter Anni, who is currently more and more responsible for the internationalization of the company, has also studied a degree in entrepreneurship and in travel and tourism. She participates in internationalization related educations and programs, which can be regarded as important sources for objective market knowledge and network knowledge (cf. Ellis 2000, 461; Shane 2000, 452). In order to overcome the challenges related to inexperience on international markets and handling the exporting, Riihipuoti is taking part in a mentorship program, which helps young companies to gather entrepreneurial knowledge faster and enhance their opportunity recognition capabilities (cf. Ozgen & Baron 2007, 177).

For Riihipuoti, which has not yet many international operations, cultural knowledge has not so far been largely gathered through experience. In general, they believe, however, that similar culture and food habits in the Baltic Sea region and a market niche in the Baltic States, where barley is not yet very common grain, will offer opportunities for the future internationalization.

*I've understood that it (barley) is not yet very common in the Baltic countries. In Finland at least, we think that it has turned out to be tasty grain that you don't get easily bored with. It could sell somewhere else too. -- Regarding the taste and food culture, the Baltic Sea region could be regarded as extended Finnish market. It could still be rather easy. (Saari, E., interview 27.10.2011.)*

As in the case of Bioferme, assumptions about the nature of the market are based on a feeling that the area could be suitable. Despite the limited international experience, both Eeva and Anni Saari underline the importance of market knowledge and are aware of the challenges that e.g. different regulations and cultures set on international operations. (Saari A., Saari E., interview 27.10.2011.) As a conclusion, it can be summed that deep interest, enthusiasm, active networking and contacting together with a good product and ability to learn have led Riihipuoti to successfully recognize opportunities in Finland. In order to exploit international opportunities that have been perceived through networking, discovering demand and gaining objective knowledge about markets, the family is still struggling because of the high demand for organic products in Finland. For a small company, increasing demand requires allocating resources more selectively and there is not enough time for internationalization at the moment. (Saari A., Saari, E., interview 27.10.2011.)

#### Raikastamo: prior knowledge in international opportunity recognition

In opportunity recognition of Raikastamo, both personal interest and expertise gathered via working in a certain job were combined, and all of the six founders have had

their own roles in opportunity discovery. One of them works in the field of organic agriculture, which has given him insights about organic food business and offered a chance to learn about it. Others had contacted this person because of their personal interests related to apple farming, but had no earlier work experience in that field. Brought together by the current head of the board, partners found each others and their expertise areas and interests led to founding the company Raikastamo. No one of them had experience or knowledge of beverage business particularly. (Kähönen, interview 4.11.2011.)

Unlike the owners of Bioferme and Riihipuoti, Raikastamo's founders have a lot of international experience from their previous work positions. As a result, partners know how to work in international environment, have some knowledge of international markets and have international networks, which they actively use in order to access new information. Especially valuable knowledge source for Raikastamo, as an organic juice producer, is the network composed of people working in organic food industry. One of Raikastamo's owners belongs to the leading consultants in organic agriculture in Finland, which makes these international network contacts available for the company. Also co-founders' previous entrepreneurial experience is an important source for experiential knowledge. (Kähönen, interview 4.11.2011.)

Illustrating their experience and rational approach to doing business, Raikastamo's founders conducted a small survey among potential Finnish buyers when they started to consider apple juice business. *We asked if they were interested in the product. The clear and instant result was that if the product was organic, they would be interested. But conventionally produced apple juice didn't raise any interest at all.* (Kähönen, interview 4.11.2011.) Since existing or potential need is crucial for successful business (cf. Shane 2000, 452), this type of first step suggests Raikastamo's ability to focus on the most relevant aspects in opportunity exploration. Following Baron (2006, 112–114), experienced entrepreneurs, like Raikastamo's founders and Bioferme's Scahrin, possess rich mental models that allow them to search and map opportunities more systematically than novice entrepreneurs. (Baron 2006, 112–114.) Accordingly, Raikastamo's founders have successfully exploited international opportunities related to importing apples and readily pressed-juice, which suggests possessing knowledge of the processes and technologies on foreign markets and understanding the effective ways to operate on the Finnish market (cf. Shane 2000, 452).

Even though Raikastamo's founders are experienced as entrepreneurs, they have international networks and they are familiar with some foreign cultures, they do lack insight knowledge of international beverage markets (Kähönen, interview 4.11.2011). When exploring new markets Kähönen underlines the importance of both objective and experiential sources of knowledge (cf. Nonaka & Takeuchi 1995). Mapping certain markets requires facts and exact information. On the other hand, finding the right channels for the product on foreign market asks for an agent or another type of a middleman

who is familiar with local markets. Especially lucrative international markets are seen in Nordic countries, where demand for organic beverages grows fast but majority of the marketed beverages are imported from elsewhere in Europe. Kähönen sees hence a niche for purely Nordic juice in Nordic countries. Like entrepreneurs of Bioferme and Riihipuoti, also Raikastamo's founders regard Nordic culture similar to Finnish, which makes other Nordic countries a natural first step in outward internationalization. Russia is considered *wild East* and the Baltic States somewhere in the middle of the two. (Kähönen, interview 4.11.2011.)

#### Kankaisten Öljykasvit: prior knowledge in international opportunity recognition

The fourth small company with only few outward international operations is Kankaisten Öljykasvit. The CEO Perttu Korolainen has graduated from Turku School of Economics and has gathered experience from food industry and international sales in his previous work positions. As a hired CEO, however, the initial business idea of Kankaisten Öljykasvit was not his, and evaluating Korolainen's expertise areas in relation to initial opportunity recognition is unnecessary. In terms of international opportunity recognition, Korolainen has benefited from his earlier experience. *Everything what I've done has proved to be useful in one way or another.* He has deep expertise in food industry and food industry networks. Through his work, he is used to negotiating and meeting foreign people, which has increased his understanding of different cultures. It is likely that this experiential knowledge has helped him to recognize international opportunities in Russia, where Kankaisten Öljykasvit is developing its business. His special interests, however, have not affected international opportunity recognition as such, says Korolainen. (Korolainen, interview 9.12.2011; cf. Chandra et al. 2009, 51.)

When Korolainen was appointed CEO of Kankaisten Öljykasvit in 2005, the company was already planning internationalization. Information about markets was gathered by participating in an exporting program and by mapping opportunities with the help of objective information sources, like reports. Since the focus of the product lies in its health effects, opportunity mapping was started by learning about markets and their needs (cf. Shane 2000, 452). Indeed, Korolainen has extensive knowledge about potential markets where the product could meet the demand. In addition to reports and other objective data, Korolainen seeks to increase his knowledge base through attending events, seminars, conferences and trips. In opportunity recognition he underlines the importance of social sources over others (cf. Ellis 2000, 461). (Korolainen, interview 9.12.2011.)

The most promising international opportunity, which Kankaisten Öljykasvit is exploring and exploiting at the moment, was discovered on a trip to Russia. Coupled with

vital chance encounters, Kankaisten Öljykasvit discovered the potential of their product on Russian market. Because Korolainen had no previous experience of working on the Russian market, did not know the culture nor had deep market knowledge, it can be interpreted that recognizing and deciding to explore this opportunity was mainly due to Korolainen's network knowledge and entrepreneurial knowledge. (Korolainen, interview 2011; cf. Mejri & Umemoto 2010, 164–165.) Following pattern recognition theory, extensive knowledge of other markets has, however, enriched Korolainen's mental frameworks, which makes the evaluation of new information and changing conditions easier and enables opportunity recognition through connecting seemingly separate events and facts (Ozgen & Baron 2007, 179; Baron 2006, 112–114). According to Korolainen, a piece of new information accessed through discussion with someone, is the most common impulse for him to recognize opportunities and get new ideas. Nevertheless, the importance of certain type of knowledge varies depending on the target market.

*It depends a lot on the market. On the Swedish or German market you have a certain list that if you go there – – you get this percentage of the market share. – – Knowledge and background information are important but finding the golden piece of information, especially on rapidly developing markets... It takes quite a lot. (Korolainen, interview 9.12.2011.)*

On the Russian market, social sources and experience become more important than in more structured markets like Nordic countries and Germany. As often on underdeveloped markets, the reason for this observation lies in the lack of reliable and up-to-date objective information in Russia (cf. Ellis 2000, 460). On the big and non-centralized Russian market, even accurate data is subject to remarkable changes during short periods of time (Korolainen, interview 9.12.2011.)

#### Halva: prior knowledge in international opportunity recognition

Halva represents a bigger and more established case company involved in this study. Internationalization in the company has begun already in the 1980s' and the company has been led by multiple generation of the family. Instead of the first-time international opportunity recognition, more attention is therefore given to recognizing new international opportunities in Halva's current business. The company's CEO Jean Karavokyros, lawyer by profession, has more than 11 years of experience of working for Halva and sweets industry. As an established and respected company, Halva has certain assets that can enhance its opportunity recognition. Compared to smaller companies presented in this study, Halva has resources that allow it to access a vast amount of knowledge from various sources. Knowledge of markets possessed by Halva's personnel is updated by conducting market studies, following local media in foreign countries and cooperat-

ing with international partners. (Karavokyros, interview 28.10.2011.) Consequently, knowledge of customer problems guarantees right actions (cf. Shane 2000, 452; Von Hippel 1988, 25).

This is reflected in Halva's recent entry on Russian market. Previously, they had focused more on Western countries, which offered enough demand and where licorice was found to better appeal to local tastes. Preferring culturally more similar Western countries to Russia and Eastern Europe signals the importance of market knowledge and cultural understanding in Halva's way of doing business and as a basis for opportunity exploration. New licorice production line offered, however, new opportunities also on the demanding Russian market. Using different kind of technology allowed Halva to produce filled licorice, in which traditional sugar sweets and licorice are combined. As a result of using their knowledge of ways to serve markets, sales to Russia could be started. Halva also started to produce organic and sugar free products in order to answer the growing demand for this type of products, which is another example of Halva's ability to use its knowledge of customer problems. (cf. Shane 2000, 452.) Knowing the structure of the sweets and organic food industry, Karavokyros sees even further opportunities in organic boom. While organic food channels are currently separate from conventional food channels, producing organic sweets offers Halva new channels and new, potential partners. Operating in various countries, the role of legal issues and requirements is one of the most important aspects that need to be considered when exploring new opportunities. (Karavokyros, interview 28.10.2011.)

Information sources of Karavokyros' and Halva's personnel are both objective and experiential. Objective knowledge is obtained via market studies and reports. Karavokyros' entrepreneurial knowledge builds on more than 10 years of experience. During his position as the CEO of Halva, the company has tried exporting programs and organized partner findings, which have given Halva experience of different solutions and ways of recognizing new opportunities. Discovering new ways of mapping opportunities has also enriched Karavokyros' entrepreneurial knowledge, which helps him in evaluating new information (cf. Baron 2006, 112–114).

One of the most important sources of information for Halva is, however, the international network of producers. *We exchange a lot of information, benchmark each other – (we get) information of some (international) partners. Then they ask about Finnish companies – –. It is knowledge gathering and sharing at its best.* (Karavokyros, interview 28.10.2011.) The network functions also as a forum for discussion. It is established, meeting regularly and very open for sharing all sorts of information among the participants. Compared to networks described by other companies, Halva's network seems to be stronger and have certain culture of sharing, which is not very common in

Finnish networks. (Karavokyros, interview 28.10.2011.) The same notion about purely Finnish network culture is made by Korolainen and Puhk (Korolainen, interview 9.12.2011; Puhk, interview 24.11.2011). Intensive utilization of network knowledge is found to be more common among more experienced companies, which could explain why Halva and not younger companies describe the existence of this kind of networks. Even though theory also suggest that efficiency to use network knowledge increases with experience, conclusions supporting this statement cannot be made based on the findings of this study. (Mejri & Umemoto 2010, 164; Blomster et al. 2004, 368.) Networks are discussed more in detail in the chapter 4.4.

#### Helsingin Mylly: prior knowledge in international opportunity recognition

Similar to Halva, Helsingin Mylly is an established and internationally experienced company, which benefits from greater resources compared to other companies in this study. The head of the board Maret Puhk describes extensive knowledge of the company based on qualified personnel, long experience and learning. Knowledge of markets leads the company to search for new opportunities in promising markets, where their products are needed. News from all around the world related to crop damages suggests demand for Helsingin Mylly's product. Due to lower logistics costs demand is mainly sought in Europe. Exact market knowledge is largely derived from objective sources of knowledge, but social sources function as source of ideas and hints that lead to explore certain opportunities more in detail. In addition to market knowledge, Helsingin Mylly enhances its ability to find new opportunities with the help of its R&D functions, which allow product development according to customer needs. (Puhk, interview 24.11.2011; cf. Shane 2000, 452.)

Long experience in grain business has developed an extensive entrepreneurial knowledge through which Helsingin Mylly is able to smoothly organize its business and international opportunity exploration. Unlike younger companies that are still struggling to make their products successful and develop their business models, Helsingin Mylly is able to rely on traditions and established position among the grain producers both in domestic and international markets. During more than 15 years of internationalization, the company has gathered a lot of cultural understanding and it has been able to bear uncertainties derived from doing business with foreign cultures (cf. Butler et al. 2010, 127). Theory also suggests that foreign residency affects positively on opportunity recognition (Chandra et al. 2009, 49). In the case of Helsingin Mylly also family roots affect the international opportunity exploitation. While family Puhk has its roots in Estonia and the company has its origins there, it was, according to Maret Puhk, *natural to put up a subsidiary in Estonia*. (Puhk, interview 24.11.2011.)

According to Puhk, the company has also developed largely established network of international contacts in its main market area, Europe. Knowledge derived from this



network and attending trade fairs are among the most important ways of detecting new opportunities and contacts (cf. Ellis 2000, 461; Shane 2000, 452). Suggesting developed mental models (cf. Baron 2006, 106), Puhk says that new opportunities can also be just suddenly recognized without any search for them. They can be for example discovered when new information about customer preferences is combined with the elements of a current product. Based on connecting the current product features and the newly perceived needs, a new product can be created. (Puhk, interview 24.11.2011.)

#### Summary on prior knowledge in international opportunity recognition

Prior knowledge had expectedly strong role in international opportunity recognition among all case companies. The following Table 3 summarizes the level of different types of prior knowledge and their sources. The level of knowledge is evaluated in terms of international opportunity recognition, and therefore e.g. knowledge of customer problems refers to knowledge of international customer problems on foreign markets. Since both domestic and international networks have been found to be valuable for international opportunity identification, the knowledge of networks refers to all types of network knowledge, both domestic and international. Evaluation of the knowledge is based on the information presented through interviews and obtained through secondary data e.g. articles in newspapers.

Table 3 The level of prior knowledge in companies

Type of knowledge	Customer problems	Ways to serve markets	Knowledge of markets	Network knowledge	Cultural knowledge	Entrepreneurial knowledge	Expertise/personal interest
<b>Bioferme</b>	good	-	low	good	low	excellent	both
<b>Riihipuoti</b>	low	-	low	good	low	good	personal
<b>Raikastamo</b>	good	good	low	good	low	good	both
<b>Kankaisten Öljykasvit</b>	good	-	good	excellent	good	-	expertise
<b>Halva</b>	excellent	-	excellent	excellent	good	excellent	-
<b>Helsingin Mylly</b>	excellent	good	excellent	excellent	good	excellent	-

Knowledge of markets, customer problems and ways to serve markets (cf. Shane 2000, 452) were all addressed but clear differences in their roles and importance in international opportunity identification occurred. The most important type of knowledge for international opportunity exploration in this study was knowledge of customer prob-

lems, which can be regarded excellent in Halva and Helsingin Mylly. These companies have long international experience, they follow local media actively and they have resources for conducting marketing surveys and maintaining their knowledge of trends. Also Bioferme, Raikastamo and Kankaisten Öljykasvit emphasize recognizing existing or potential demand when considering new foreign market entries. Their knowledge of customer problems is good because of this active scanning. On the other hand, Riihipuoti identified international opportunities first after attending a German trade fair, where the company ended up after brokerage. This indicates low level of prior knowledge related to customer problems. In the light of these results, knowledge of customer problems can be nevertheless regarded as crucial factor in international opportunity recognition.

Knowledge of ways to serve markets as a source of international opportunity recognition is addressed indirectly by only one of the interviewees. Given the size, extent of international operations and types of the products sold by the companies in the study, low involvement of this type of knowledge in international opportunity recognition is understandable. Only Helsingin Mylly has a subsidiary abroad, which makes it aware of the technological solutions on the market. Nevertheless, no reference to taking advantage of technological opportunities Estonia is made. Raikastamo, on the other hand, has outsourced lot of its production abroad and it has decided to import pressed juices instead of pressing them in Finland (Kähönen, interview 4.11.2011). This utilization of effective processes reflects understanding the technological means available on foreign markets.

Knowledge of markets was more important in international opportunity recognition for Halva and Helsingin Mylly, whereas smaller companies accessed this type of knowledge through agents and third parties as theory suggests (cf. Holmlund & Kock 1998, 55). This is the case for Bioferme and in future likely for Raikastamo, Riihipuoti and Kankaisten Öljykasvit also, if they follow their current ideas (Korolainen, interview 9.12.2011; Kähönen, interview 4.11.2011; Saari A., Saari E., interview 27.10.2011; Scharlin, interview 20.10.2011). The results indicate that more important than market knowledge as such is to understand customer problems and to have entrepreneurial experience, which gives tools and certain mindset for opportunity tracking (cf. Baron 2006).

Networks form a crucial source of knowledge to all companies, but intensity to take effectively advantage of this knowledge seems to vary. In addition to experienced and established Halva and Helsingin Mylly, also Raikastamo and Kankaisten Öljykasvit describe rather systematic action of networking. Unlike Halva and Helsingin Mylly, however, they do not describe any established networks. This could be explained by companies' young age and by their on-going phase of *building the networks*, as Korolainen describes it (Korolainen, interview 9.12.2011). They are in a phase where they

are first looking for their place in networks that will be established later. The situation is similar for Riihipuoti; Anni and Eeva Saari describe a great amount of contacts and partners, but they also express their wish to know better how to use them (Saari, A., Saari, E., interview 27.10.2011). The role of networks in international opportunity recognition process is analyzed in-depth in the following chapter 4.4.

Experiential cultural knowledge has been involved in international opportunity recognition only in companies, which have long international experience as companies or, as in the case of Kankaisten Öljykasvit, the CEO of which has long personal international experience. Cultural knowledge is reflected in the operations of Halva and Helsingin Mylly, which do not use middlemen in the extent comparable to other companies. This implies that Halva and Helsingin Mylly possess required level of cultural knowledge, which enables them to operate directly with local actors and even evaluate some potential trends on markets by themselves. (Puhk, interview 24.11.2011; Karavokyros, interview 28.10.2011.) Cultural knowledge of Korolainen is unrelated to Russian market, which currently is the main international market for Kankaisten Öljykasvit. Because of this, Korolainen's previous international experience and accumulated cultural knowledge is inadequate for the current market and also middlemen are required (Korolainen, interview 9.12.2011). Despite the experience, also these companies emphasize the role of local partners.

Entrepreneurial knowledge at the time of international opportunity recognition can be regarded excellent among Scharlin, Karavokyros and Puhk. Scharlin has more than thirty years of experience as an entrepreneur and in many businesses. With around 15 years' experience in their leading positions, Karavokyros and Puhk benefit greatly from the accumulated experiential knowledge in their firms. Also Kähönen and family Saari have good entrepreneurial knowledge and more than ten years' entrepreneurial experience. Due to the young age of their businesses, however, their entrepreneurial knowledge must be considered lower than Karavokyros' and Puhk's. Korolainen has no entrepreneurial experience as such but he has a long experience as a businessman, which has helped him to seize the opportunities.

Both expertise and personal interest have clearly affected the initial opportunity recognition processes of Bioferme and Raikastamo, which supports the theory presented earlier in this study (cf. Ardichvili et al. 2003, 114<sup>8</sup>). In the case of Riihipuoti, however, no previous expertise in the focal business existed in the beginning and the opportunity

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<sup>8</sup> Sigrist, B. (1999) Entrepreneurial opportunity recognition. A presentation at the Annual UIC/AMA symposium at Marketing/Entrepreneurship Interface, Sofia-Antipolis, France.

exploration process was mainly based on personal interest, which contradicts with the previous findings stating that the convergence of both knowledge areas is critical for successful opportunity identification (cf. Ardichvili et al. 2003, 120). In the case of Halva and Helsingin Mylly, there were no clear references to personal, other than work related, interests affecting the international opportunity recognition. This could be explained by the stable position, long history and number of personnel, which have decreased the entrepreneurial nature of the companies compared to others in this study (cf. Butler et al. 2010, 125). The international opportunity recognition among companies was mostly affected by expertise type of knowledge gathered over time in the current business.

It can also be concluded that in addition to pure knowledge, also feelings and intuition play a great role when case companies map potential markets. This was the case especially for younger, internationally less experienced companies like Bioferme, Raikastamo and Riihipuoti. Bioferme, for example, started international operations in Denmark because they thought the market would be similar to Sweden and a partner who was interested in being responsible for marketing in Denmark was found among family friends. Despite the efforts, the market turned out to be inappropriate for a niche product requiring special logistics and having limited shelf-life. (Scharlin, interview 20.10.2011.) Based on the intuition and general beliefs, many entrepreneurs also mention that the Baltic Sea region and especially Nordic countries are easier markets for their products than e.g. Southern Europe would be. As reasons for this observation the demand for the product, similar habits and food culture, mentality, legislative issues and similar structure of the trade are mentioned. (Korolainen, interview 9.12.2011; Kähönen, interview 4.11.2011; Saari A., Saari E., interview 27.10.2011; Scharlin, interviews 20.10.2011.)

#### **4.4 The role of networks in international opportunity recognition**

As already discussed, networks are an important source for knowledge in international opportunity recognition. In addition to transmitting information, they function as a forum for sharing experiences and ideas, which is extremely important for entrepreneurs struggling with limited resources. In the following, the role of different networks is discussed and analyzed in the case companies.

##### Bioferme: network ties in international opportunity recognition

Network ties have been crucial for Bioferme's opportunity recognition process. Thanks to a chance encounter with a stranger at a seminar organized for entrepreneurs located in South-Western Finland, a bridge to an important indirect contact was created.

Via brokerage of a common acquaintance that saw potential in Scharlin's ideas and knew a professor interested in the subject, Scharlin became involved in research programs, ended up exploring bacteria and eventually discovered the combination of bacteria for Yosa product. (cf. Ellis 2000, 446.) Bioferme's case supports this way the importance of indirect ties accessed through weak ties (cf. Granovetter 1973, 1364). Also in exploration of international opportunities, Scharlin relies on networks and social sources of knowledge. Being internationally inexperienced entrepreneur Scharlin did not have required market knowledge. As small and inexperienced companies often do, Scharlin got Yosa product on Swedish market with the help of an agent and Finnish-Swedish chamber of commerce. (cf. Ellis 2000, 448; Holmlund & Kock 1998, 53.)

Using her husband's business contacts, Scharlin found a business partner also in Denmark. Supporting the previous literature, it has been mainly weak business ties accessed through organizations and other people that have been involved in Bioferme's early internationalization and opportunity identification process (cf. Söderqvist 2011, 172). The role of both direct and indirect contacts has been important for Bioferme and finding the right contacts is mentioned as one of the most important success factors on international markets (Arstila 2004, 30). In addition to brokerage and network contacts, also international trade fairs have affected opportunity development in the company. Before entering Swedish markets a new packaging that would appeal to Swedish tastes was sought on a trade fair, where a suitable Italian partner was found. Cooperation was started since the packaging was innovative and environmentally friendly, which fitted into Bioferme's ideology. (Scharlin, interview 20.10.2011.) International Biofach trade fair has also been the source of latest partnerships in Belgium (Unohda gojimarjat – 2011, 12).

Access to resources and increasing the span of company's action has been clearly one of the most important benefits that Bioferme has drawn from networks (cf. Holmlund & Kock 1998, 50; Dubini, Aldrich 1991, 309). Without cooperation with universities and research units, it could never afford expensive product research and development, which currently forms the basis for product's arguments. Participating in research projects has guaranteed availability of the tools and premises, and human resources and know-how from various areas of expertise. Financial support for R&D has been obtained from TEKES, the Finnish Funding Agency for Technology and Innovation. (Scharlin, interview 20.10.2011.) The importance of networks and partnerships is seen remarkable also in the future internationalization, for which Scharlin wishes Bioferme to have cross-border marketing cooperation with a bigger company in order to escape resource constraints (Kauralla, marjoilla ja – , 2010). Even though Scharlin has recognized problems related to international sales through an agent, she believes that having a

local middleman or partner is very important on foreign markets. This suggests continuing dependence on other parties, which increases the importance of networking further (cf. Holmlund & Kock 1998, 60).

#### Riihipuoti: network ties in international opportunity recognition

Riihipuoti's initial opportunity recognition leading to the business concept creation was related to personal contacts of Hannu Saari. After having a chat with his old friend from school, he started to explore the business opportunity. (Saari A., interview 27.10.2011.) Later Riihipuoti's access to networks was speeded by the title organic entrepreneur of the year in 2007 by Luomuliitto, the organization for Finnish organic product. As a result of the title, the ministry functioned as a broker and encouraged Riihipuoti to attend Grüne Woche trade fair in Germany. Discovering existing demand on international markets made Riihipuoti aware of opportunities and it started to explore them further (cf. Ellis 2000, 446).

Today Riihipuoti has some sales to private consumers in Germany but international exports have not yet reached high volumes. Trade fairs are important also in domestic opportunity development. Active presence on Finnish trade fairs has made consumers aware of Riihipuoti, and the popularity of Riihipuoti's products has increased. Trade fairs most often lead to a contract at least with one new reseller. *It is often about luck. Still, also at the previous trade fair, we got two new resellers for our products. In Finland it goes a little bit like – – we could say that no trade fair without at least one more reseller.* (Saari A., interview 27.10.2011). This supports previous literature emphasizing trade fairs as a very typical setting for initiating new relationships and establishing contacts (cf. Kontinen & Ojala 2011b, 450). Company's visibility has also led resellers to contact Riihipuoti straight. (Saari A., Saari E., interview 27.10.2011.)

After winning the award, company was contacted and asked to join different kind of exporting and partnership programs through which they have got new international contacts. Basis, one of the programs in which Riihipuoti is currently taking part, is related to EU Baltic Sea region program and it is based on co-operation between Estonia, Latvia, Sweden and Finland. Companies participating in the program share workforce, knowledge, know-how, information about channels for sales, raw material, and have access to university cooperation and business consultancy (Saari, A., interview 27.10.2011; Kallaste 2011). Since the program is not fully started, its benefits for Riihipuoti remain still unknown. Nevertheless, the programs offer Riihipuoti a lot of new contacts, information and resources that are very valuable for an SME with limited income and funds (cf. Holmlund & Kock 1998, 50; Coviello & Munro 1994, 129; Dubini & Aldrich 1991, 309). Being an EU-funded and coordinated program Basis also represents a form of cross-border cooperation related to EU Baltic Sea region Program. Via Basis Riihipuoti is able to benefit from the actions taken in Baltic Sea region. These

sort of positive changes in company's external environment are then likely to enhance its international opportunity recognition potential (cf. Zahra et al. 2005, 132).

Increasing the size and diversity of Riihipuoti's network, new contacts expand the amount of weak business ties and offer access to indirect contacts beyond the direct ones (cf. Burt 1995, 17; Dubini & Aldrich 1991, 309). For a young and internationally inexperienced company like Riihipuoti growing networks increase the amount of accessible information and therefore enhance also the likelihood for future opportunity recognition (cf. Chandra et al. 2009, 39; Ozgen & Baron 2007, 179). Regarding also small companies' dependence on other actors, diversity and large scope of relations is beneficial for Riihipuoti. Similar to Bioferme, Riihipuoti needs to acquire market knowledge through more experienced individuals, which makes it more dependent on its direct and indirect network ties. (Saari A., Saari E., interview 27.10.2011; cf. Holmlund & Kock 1998, 60.)

Following from the theory, it is likely that the importance of network ties will grow if Riihipuoti decides to enter less developed markets like Baltic States. Currently, these markets are regarded as promising markets for Riihipuoti's products. (Saari E, interview 27.10.2011; cf. Ellis 2000, 460.) Reflecting Riihipuoti's ability to use its current network contacts, Anni and Eeva Saari mention people from previous projects whom they can contact when necessary. Sponsoring local events and clubs Riihipuoti maintains its current relations. (Saari A., Saari E., interview 27.10.2011.)

#### Raikastamo: network ties in international opportunity recognition

Networks have had crucial role for Raikastamo from its very beginning since partners found each others through one common contact Mikko Rahtola, the current head of the board of the company. In his work as a consultant for organic production in Luomuliitto, the organization for Finnish organic products, Rahtola had been contacted by people interested in organic apple farming. Bringing certain contacts together was the beginning of Raikastamo. Supporting assumptions made by Söderqvist (2011, 195), the contacts of Raikastamo's founders have been important source of new relationships for the company. Especially the use of Rahtola's business contacts has been important for the business. Previous contacts of the founders have also functioned as bridgehead relationships through which Raikastamo has been able to access new, indirect international contacts (cf. Söderqvist 2011, 194).

Further, Raikastamo has sought new contacts and built its network on trade fairs, where new opportunities related to importing have been found (cf. Kontinen & Ojala 2011b, 450). What matters the most in making decision about imported products, is finding a suitable and reliable partners whose products meet the criteria and are deli-

vered regularly. (Kähönen, interview 4.11.2011; cf. Ellis 2000, 448). Regarding the strength of the network ties, weak ones dominate relations that have been useful in opportunity recognition. However, also strong relations have affected the process, since Kähönen's father is one of the partners in the company and apple farm, one of the initial resources, is family owned. (Kähönen, interview 4.11.2011.) Since Rahtola's contacts have been useful for all of the founders, findings support the previous literature suggesting that business ties play a great role in company's start up and early internationalization. Adopting Rahtola's point of view, the role of personal ties can be regarded bigger in opportunity recognition compared to other founders. (cf. Söderqvist 2011, 194.)

Raikastamo's founders have understood the meaning of networks as an important source of new resources. *Our philosophy is that it is unwise to tinker with the business alone; buy same equipment to all. Rather you find ways to cooperate* (Kähönen, interview 4.11.2011). Being a small company with limited financial assets, Raikastamo seeks to create synergies in raw material procurements via cooperation with other companies. Also marketing and sales cooperation is being planned. (cf. Holmlund & Kock 1998, 50; Dubini & Aldrich 1991, 309.) Parallel to Bioferme and Riihipuoti, Raikastamo's future outward internationalization is dependent on contacts that can lead them to find suitable agents, middlemen and other partners that can ease their foreign market entry on international beverage markets. Especially connections to suitable channels, which can often be achieved through networks (cf. Söderqvist 2011, 194) are demanded by Kähönen. (Kähönen, interview 4.11.2011.)

Thanks to winning the title organic product of the year in 2009, Raikastamo has got visibility, which has helped it to access networks. Discovering new opportunities is also enhanced by discussing and sharing ideas with other entrepreneurs and actors in the field. This is important for Raikastamo's entrepreneurs who are novice in organic beverage business (cf. Kaish & Gilad 1991, 58). With a contact found on a fact-finding trip to Russia, Raikastamo scans new opportunities that could be exploited together. (Kähönen, interview 4.11.2011.) To conclude, Raikastamo has adopted a very cooperative standpoint, which should improve its possibilities for new opportunity recognition and business as such (cf. Chandra et al. 2009, 54; Dubini & Aldrich 1991, 306).

#### Kankaisten Öljykasvit: network ties in international opportunity recognition

Networks, from which Korolainen from Kankaisten Öljykasvit benefits, have been built during his earlier career and compose of various international contacts that have helped Korolainen in his current job (cf. Burt 1992, 9–11). Exploring new international opportunities is conducted through both personal and extended networks. Especially weak business ties and chance encounters have led Korolainen to perceive new business opportunities (cf. Söderqvist 2011, 34). Also family and friends have had a role. When Kankaisten Öljykasvit was considering its Russian market entry, Korolainen let his



Russian friends to test the product. Positive feedback encouraged Korolainen to go on with the opportunity development, which implies that relationships offer emotional support for Korolainen's decision making and opportunity exploration. (Korolainen, interview 9.12.2011; cf. Söderqvist 2011, 193.)

For Korolainen both direct and indirect contacts are important in international opportunity identification process. He says that very often one contact leads to another, thanks to the open network culture on foreign markets (cf. Söderqvist 2011, 194). As already mentioned in relation to network knowledge, foreign networks are found to share all sorts of information and companies involved in them benchmark and help each others in finding new opportunities. Compared to international networks, Finnish network culture is less open and its members are more interested in keeping secrets and not so eager to share their contacts further. (Korolainen, interview 9.12.2011.) Similar observation about the cultural difference has been made by Karavokyros and Puhk (Karavokyros, interview 28.10.2011; Puhk, interview 24.11.2011). Further, Korolainen has found new and crucial contacts through attending seminars, events and trips. He gives an example of chance encounters and step-by-step opportunity identification process:

*I was holding a presentation at a seminar and met people from TEKES, the Finnish Funding Agency for Technology and Innovation, who later asked me if I wanted to join their trip to Germany. I said: "Basically, I know we have no chance on German market but I am interested in seeing how the market works, so I can join you." After some time I was asked to join a similar trip to Russia. – – During the visit an interesting contact was found. Then we found a potential Finnish partner, a sort of a consultant agency. (Korolainen, interview 9.12.2011.)*

When the process moved on, Korolainen used his current network contacts to evaluate the suitability of the potential Russian partner (Korolainen, interview 9.12.2011). Also earlier literature suggests the usability of social ties for screening and evaluating a potential partner (cf. Ellis 2000, 448). Supporting the previous studies further, Korolainen sees networks as an important source for new resources for a small company with scarce financial assets and emphasizes them as a channel for finding the right partner (cf. Söderqvist 2011, 194). Company's dependence on networks is increased further because of its foreign market selection. On Russian market no accurate, up-to-date objective data is available and market structure makes the business environment subject to fast and continuous changes (cf. Ellis 2000, 460; Holmlund & Kock 1998, 50). As an internationally experienced person, Korolainen knows that even a brilliant product requires the company to have the right contacts to access the local network and to get the

product accepted (Korolainen, interview 9.12.2011; cf. Holmlund & Kock 1998, 51). In contrast to other companies and previous research, Kankaisten Öljykasvit has not benefited from trade fairs in its international opportunity exploration (cf. Kontinen & Ojala 2011b, 450).

#### Halva: network ties in international opportunity recognition

For Halva networks offer an international forum for sharing information and ideas, benchmarking, screening and evaluating potential trading partner, and finding a partner or an importer (Karavokyros, interview 28.10.2011; cf. Söderqvist 2011, 194; Ellis 2000, 448). In addition to this, financial resources and subsidies for partner finding, market studies and contact travels have been obtained from Finnish organizations. Although Halva searches its partners through networks, it sells its products straight to the importers, which makes it independent from middlemen and leaves the company less vulnerable compared to ones exporting indirectly (cf. Holmlund & Kock 1998, 60).

Halva's, and Helsingin Mylly's as we see further, benefits of networking, differ from the ones of the smaller companies. While small and not yet fully established companies take advantage of all range of resources attained through networks, medium-sized companies in this study focus on gathering knowledge and exchanging information in their networks. Neither Karavokyros nor Puhk mention for example sharing costs or access to human resources, work force or other related to be derived from networks in a way that would affect their international opportunity recognition (cf. Ellis 2000, 448; Holmlund & Kock 1998, 50). Instead, these benefits and resources are valuable to Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit (Korolainen, interview 9.12.2011; Kähönen, interview 4.11.2011; Saari A., Saari E., interview 27.10.2011; Scharlin, interview 20.10.2011).

In Halva, exploring new opportunities is conducted through both personal and business contacts, for example via business related meetings. No importance in international opportunity identification is given to family or friends (Karavokyros, interview 28.10.2011). While Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit actively take advantage of their extended business networks and indirect contacts and are in rather early phases of their internationalization, Karavokyros describes an established network, which has meetings several times a year and through which new information and ideas move. His description hence suggests stronger relationships and direct intercourse with the network contacts. (Karavokyros, interview 28.10.2011.) Findings support Söderqvist's (2011, 172) results implying that entrepreneurs rely more on personal relationships in later phases of internationalization.

For finding new partners and contacts, trade fairs form an important forum for Halva (cf. Kontinen & Ojala 2011b, 450; Ellis 2000, 446). Regardless of the initiating party, requirements for the partner are good results and focus on Halva's products. Karavoky-

ros perceives a smaller importer who concentrates on Halva more valuable partner than a big player with extensive variety of other brands in its portfolio (Karavokyros, interview 28.10.2011, cf. Ellis 2000, 448). In addition to this, trade fairs function as a cost-effective way of organizing meetings with Halva's current importers, partners and principals, and offer a channel for sharing and obtaining information (Karavokyros, interview 28.10.2011). While previous studies acknowledge unsolicited orders as an important source for new relations, they are important also for Halva (cf. Kontinen & Ojala 2011b, 450). Instead, organized partner findings have not given good results for Halva due to big differences between participating companies (Karavokyros, interview 28.10.2011). Because of the current structure of organic trade, producing organic products opens Halva also new trading channels. According to Karavokyros and Korolainen, organic trade has different channels compared to conventional products (Korolainen, interview 9.12.2011; Karavokyros, interview 28.10.2011).

#### Helsingin Mylly: network ties in international opportunity recognition

There are a lot of similarities between Helsingin Mylly's and Halva's networks in terms of opportunity recognition. In addition to already mentioned benefits of networking, Helsingin Mylly has also built a rather established network, which it uses for accessing new information, opportunities and contacts (cf. Söderqvist 2011, 172). Formed through running an exporting program in the mid-2000s', Helsingin Mylly has an extensive network especially in Europe. The personal relationships of Helsingin Mylly's experienced export manager are also an asset to the company. Besides personal contacts, company uses its extended network to access actors on other markets e.g. in Far-East and Africa (cf. Dubini & Aldrich 1991, 307). Parallel to Halva, Helsingin Mylly is a recognized and famous company also internationally, which results in unsolicited orders from previously unknown people (cf. Kontinen & Ojala 2011b, 450). Family and friends are not given any special meaning in international opportunity recognition, but existing customers do lead to new international opportunities, which imply their position as bridgehead contacts (cf. Söderqvist 2011, 194). According to Puhk and Helsingin Mylly's export manager Lhassan El Farkoussi, the best channel to find new contacts, however, are trade fairs. In addition to getting new contacts, trade fair have offered the company a forum for learning about doing business with international partners, negotiating and finding out about new markets. (Puhk, interview 24.11.2011; El Farkoussi, conversation 24.11.2011.)

Helsingin Mylly exports more than half of its production, which makes international sales crucial for the company. Even though the export mode is mainly direct and there is little dependence on third parties or middlemen, the role of networks is emphasized in

finding new channels for sale via them (cf. Holmlund & Kock 1998, 60). The importance of networks for Helsingin Mylly has existed from the very beginning, which is illustrated in the way the company's international sales begun. It was in the late 1980s' when first international opportunities in Russia opened for Helsingin Mylly as they, by chance, found a customer in Russia and got a common transportation with an acquaintance. (Puhk, interview 24.11.2011.)

#### Summary on networks in international opportunity recognition

For all companies in this study, networks represent an important channel to new opportunities. The following Table 4 summarizes the importance of networks in international opportunity recognition and exploration among the companies studied in this research. Benefits that are mentioned and underlined among the interviewees are crossed (x) and unmentioned and rather unimportant ones are marked with a line (-).

Table 4 Importance of networks in international opportunity recognition among the case companies

<b>Network benefits:</b>	<b>Finance</b>	<b>Human re-sources</b>	<b>Cost-savings</b>	<b>Infor-mation</b>	<b>New con-tacts</b>	<b>Screening potential partners</b>	<b>Broker-age</b>	<b>Trade fairs</b>
<b>Bioferme</b>	x	-	x	x	x	-	x	x
<b>Riihipuoti</b>	x	x	x	x	x	-	x	x
<b>Raikas-tamo</b>	x	x	x	x	x	-	x	x
<b>Kankaisten Öljy-kasvit</b>	x	x	x	x	x	x	x	-
<b>Halva</b>	-	-	-	x	x	x	-	x
<b>Helsingin Mylly</b>	-	-	-	x	x	x	-	x

As the Table 4 represents, networks offer vital access to resources for smaller companies Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit. Networks and partnership programs offer them funding related to project participation, human resources through resource sharing and pooling (e.g. Bioferme and cooperation with universities; Riihipuoti and EU funded Basis program), opportunities to share costs, e.g. by combining transportations and purchases (e.g. Raikastamo) and access to knowledge and contacts that would be otherwise unreachable (e.g. Kankaisten Öljykasvit). These benefits from networks are stated in the previous literature (cf. Holmlund & Kock 1998;

Dubini & Aldrich 1991) and get strong support from the results of this study. Interestingly, Korolainen, the only one of the interviewees who is not entrepreneur himself, refers to getting emotional support from networks (Korolainen, interview 9.12.2011; Söderqvist 2011, 193). Disregarding his role as a hired employee, Korolainen's answers support Söderqvist's theory (2011, 193).

As a result of their financial and resource reliance on networks, small companies can be regarded highly dependent on other actors also in international opportunity recognition process. Comparable findings have been made related to domestic opportunity recognition (cf. Holmlund & Kock 1998, 60). Similarities between meanings of networks for domestic and international opportunity identification process give also support to Söderqvist's hypothesis that international opportunity recognition is parallel process to initial opportunity identification (cf. Söderqvist 2011, 192). Nonetheless, only Korolainen supports the previous literature stating the bigger role of networks on underdeveloped markets (Korolainen, interview 9.12.2011; Ellis 2000, 460).

As already mentioned, the benefits of networks for medium-sized and internationally more experienced companies Halva and Helsingin Mylly differ from others. Their benefits are largely based on information obtained from the networks. There are some differences between Halva and Helsingin Mylly as well. While networks offer an international forum for sharing information and ideas, benchmarking, screening and evaluating potential trading partner, and finding a partner for Halva (Karavokyros, interview 28.10.2011; cf. Söderqvist 2011, 194; Ellis 2000, 448), Helsingin Mylly sees networks as a forum for learning about doing business with international partners, negotiating and finding out about new markets (Puhk, interview 24.11.2011; El Farkoussi, conversation 24.11.2011). Nevertheless, the role of information rather than access to resources is highlighted both by Halva and Helsingin Mylly. This sort of distinction in benefits drawn from networks between small, internationally novice and medium-sized internationally experienced companies is not pointed out in the previous literature.

In this study, both direct and indirect ties were found equally important in international opportunity recognition. The earlier hypothesis stating that business ties are utilized more in early stages of company's internationalization and personal ties in later phases (cf. Söderqvist 2011, 172) gains support when comparing the results of Halva and Helsingin Mylly to other four companies. Stronger statements, however, can be made regarding the strength of the ties. Bioferme, Riihipuoti, Raikastamo and Kankais-ten Öljykasvit describe their networking action as a more on-going process than Halva and Helsingin Mylly do. Latter ones define their networks also more or less established, whereas former companies' networks are described more dynamic and dominated by the importance of weak ties. This can be explained by their experience in international

markets and in the business. Halva and Helsingin Mylly are established actors and have tens of years' experience in the business, which suggests that due to active networking, a major part of their weak ties have under the years evolved and become strong. (cf. Söderqvist 2011, 179; Burt 1995, 17.)

In terms of initiating new international relationships, trade fairs have played an important part. All but Kankaisten Öllykasvit emphasize their importance. This observation supports earlier findings according to which trade fairs are a major forum for binding new contacts (Kontinen & Ojala 2011b, 450; Ellis 2000, 446). Broker-initiated international contacts leading to opportunity recognition were mentioned by Bioferme, Riihipuoti, Raikastamo and Kankaisten Öllykasvit. For Bioferme, a partner in Denmark was found through Scharlin's husband; Riihipuoti participated in German trade via brokerage by ministry; Raikastamo has found important contacts through one of the partners and Kankaisten Öllykasvit found its Russian partner on a fact-finding-trip by TEKES. (Korolainen, interview 9.12.2011; Kähönen, interview 4.11.2011; Saari A., Saari E., interview 27.10.2011; Scharlin, interview 20.10.2011.) All experiences support generality of broker-initiated exchange (cf. Söderqvist 2011, 170; Ellis 2000, 446; Dubini & Aldrich 1991, 310).

#### **4.5 Activeness and alertness in international opportunity recognition**

##### Bioferme: activeness and alertness in international opportunity recognition

For Bioferme's Scharlin entrepreneurship is a way of life. Since graduation from Helsinki University in the 1970s', Scharlin has run her own business. During her career she has always been able to answer to the changes in consumer trends and external business environment and to find something new when the future for the current business seemed dark. In 1977, she started with Finnish organic juice production, when raw material supply was secured, no foreign competition existed and when debate about harmful effects of additives started to rise. In the 1980s' she was able to grasp the opportunity of supplying juice for fasting, which became a trend that time. When imported juices arrived to Finland in 1980s', Scharlin was forced to move her company's focus to somewhere else in order to survive from the declining sales. Sauerkraut became then the main product of the company. It also created the basis for Bioferme's current hit, Yosa. Producing sauerkraut gave Scharlin knowledge and experience about souring agents and she became fascinated about the chemical project related to souring. (Scharlin, interview 20.10.2011.) Scharlin's story represents her ability to see changes in her business environment, which has been underlined as one of the most important characteristics of alert entrepreneurs (cf. Gaglio & Katz 2001, 100).

While telling her history as an entrepreneur she says: *Via entrepreneurship I've always wanted to bring forth my own opinions and my way of thinking; a bit of rebelliousness.* During the interview, she also emphasizes that believing in the business idea and the product itself is utmost important for the success. Big investments in new production facilities reflect Scharlin's faith in Yosa's future success. (Scharlin, interview 20.10.2011.) Comments and undertakings highlight Scharlin's self-confidence and explain her courage to search actively new opportunities (cf. Ozgen & Baron 2007, 187; Gaglio & Katz 2001, 99). Also her long experience as an entrepreneur and her expertise in the business explain Scharlin's preparedness to deliberate search. Despite the lack of previous international experience, opportunities on foreign markets were identified, which suggest that in Bioferme's initial international opportunity recognition general entrepreneurial experience, knowledge and courage has been more important factors than familiarity with potential foreign markets. (cf. Chandra et al. 2009, 39.)

Scharlin's entrepreneurial alertness can be seen in her ability to notice changes in business environment (cf. Kaish & Gilad 1991, 49). Throughout her entrepreneurial career she has succeeded in evaluating the situation and matching her capabilities and resources with the conditions. When profitability of pressing juices became endangered, Scharlin saw possibilities in sauerkraut. Learning in that business led her to move on to fermented non-dairy yoghurts. Scharlin is hence continuously on call, searching and scanning new opportunities regardless of time or place, which implies that both her entrepreneurial alertness and awareness are at very high levels. (cf. Aviram 2010, 114–115; Kaish & Gilad 1991, 49.) Being used to evaluating situations and using mental models, Scharlin's probability to successfully recognize opportunities is high also in the future (cf. Gaglio & Katz 2001, 98). In order to enhance the potential further, more knowledge of customers and markets would be required. At the moment, Scharlin is considering options to exporting via agent, which she has found to be an expensive and even a bit inefficient entry mode. Adopting a direct mode for internationalization would promote Scharlin's learning from international markets, which would then further support the opportunity identification process. (cf. Hsieh et al. 2009, 11.) Participating on trade fairs and seminars and cooperating with universities, Bioferme has access to various social sources, which has been found to increase opportunity recognition potential (Ozgen & Baron 2007, 180).

#### Riihipuoti: activeness and alertness in international opportunity recognition

Personality traits that have been involved in Riihipuoti's opportunity exploration are self-confidence and optimism (cf. Butler et al. 2010, 129; Gaglio & Katz 2001, 99). Forced to active search for new opportunities in the recession of 1990s', Hannu Saari

scanned new opportunities e.g. via discussing with people. Meeting with an old friend led to recognizing an opportunity the family had on their backyard: the flour mill. Even though family Saari did not have extensive experience from entrepreneurship or international markets, they decided to develop the perceived opportunity further. Risk was reduced through working simultaneously for other companies (Saari A., Saari, E., interview 27.10.2011.) Applying Aviram's (2010, 115) definition of awareness, it can be concluded that family Saari had entrepreneurial awareness to evaluate the situation. They also had the required resources. After perceiving the potential of their product and creating the demand through tastings on trade fairs, Hannu and Eeva Saari recognized a market gap, what implies their alertness to opportunities (Kaish & Gilad 1991, 49). Persistent marketing efforts brought company visibility, which resulted in unsolicited orders, winning the award of Luomuliitto and finally having courage to make big investments in building a new mill. Reflecting the self-confidence and belief in the product Anni Saari describes: *From somewhere this craziness just came and we started building the new mill.* (Saari A., Saari, E., interview 27.10.2011; cf. Ozgen & Baron 2007, 180.)

Whereas Scharlin has always searched for new ideas, Eeva and Anni Saari describe their international opportunity identification process reactive. Instead of actively looking for cross-border markets, they were asked to be present at German Grüne Woche trade fair after they were titled the organic entrepreneur of the year in 2007. At the trade fair, they saw international demand and recognized new opportunities. Family Saari's thoughts and stand-point towards actively searching international opportunities is reflected in the following comment made by Eeva Saari. *The ministry wanted us to join Grüne Woche trade fair in Germany. We went there and saw how Germans liked our barley porridge.* (Saari A., Saari, E., interview 27.10.2011.) Riihipuoti's reactive approach to new opportunities is in line with previous findings proposing that prior knowledge and experience and rich mental schemas enhance active search for new opportunities (cf. Hsieh et al. 2009, 11; Ozgen & Baron 2007, 187; Gaglio & Katz 2001, 98). Since Riihipuoti did not possess a lot of experience or knowledge of foreign markets or entrepreneurship compared to other companies in the study, the results can be regarded as supporting the previous theory. Nevertheless, Riihipuoti's knowledge of international market increases via participation in exporting and partnership programs. Further, mentor program enhances family's entrepreneurial skills and preparedness to track changes that could create new opportunities. (cf. Ozgen & Baron 2007, 177). Also expanding and diversifying networks, which Riihipuoti is doing, enhances alertness and generation of new ideas (cf. Chandra et al. 2009, 54).

#### Raikastamo: activeness and alertness in international opportunity recognition

Despite Raikastamo was a young company and it lacked previous knowledge of organic beverage markets, prior experience of entrepreneurship and international markets



in general gave the company abilities to conduct active search for new opportunities already in the very beginning (cf. Chandra et al. 2009, 51). Similar to Scharlin, Raikastamo's founders came up with their business idea after scanning possibilities and market needs. Suggesting awareness and developed mental frameworks, Kähönen and other partners evaluated the market conditions systematically through a survey and based on the results they decided to develop the perceived opportunities further (cf. Aviram 2010, 115; Chandra et al. 2009, 39). Coupled with optimism, self-confidence and self-efficacy beliefs the six partners of Raikastamo started their business.

*We thought - of course, as usual – that it would be a lot easier than it was. We got good calculations that seemed quite reliable. – – which then turned out to be completely overoptimistic.*

Two years after the beginning, Raikastamo's organic apple juice was named the organic product of the year in 2009, which gave visibility and access to central chain stores. Kähönen sees the award as an important reference that has helped in their active efforts to grasp new opportunities and ideas. (Kähönen, interview 4.11.2011.)

In Raikastamo's case, active search for business opportunities can be considered to be a result from general entrepreneurial alertness (cf. Kaish & Gilad 1991, 49). To illustrate their activeness, Kähönen describes a person with whom they are continuously scanning new opportunities. This refers to being constantly alert if something appears. (Kähönen, interview 4.11.2011.) Extensive network of international actors in organic food business has functioned as an important social source for information and new opportunities, and Kähönen stresses the role of building partnerships and cooperating with other actors also in the future. Raikastamo participates also in exporting programs, trade fairs and other events, which allows them to enhance their entrepreneurial alertness further (cf. Chandra et al. 2009, 54; Hsieh et al. 2009, 10).

#### Kankaisten Öljykasvit: activeness and alertness in international opportunity recognition

Kankaisten Öljykasvit is more than 15 years old company and it has good market position in Finland. Its pro-active search for new opportunities started in the mid-2000s' when it started mapping export opportunities for organic products and participated in an export program. Motivation for the search was the need for growth. Korolainen has also taken part in organized trips to Germany and Russia even though he was not convinced about opportunities the markets would offer for the company. The reason for Korolainen's activeness was that he wanted to see how the markets work and learn from the experience. Korolainen describes the nature of the changes that have occurred in certain

markets, which have then become potential target countries for their product. (Korolainen, interview 9.12.2011.)

There is a shift from physical work to light work in Korea and Far-East, which has brought changes in economic structures of the countries. Korolainen foresees that eating habits will nevertheless stay the same, and therefore obesity and heart and vascular diseases are in increase, which creates the demand for Virginio oils with acknowledged health-effects. In addition to perceiving these opportunities arising from changes in the society, Kankaisten Öljykasvit has developed them further and started to export to Korea. Nevertheless, the down turn of 2009 hit the company, and the product prices rose 30 % before even reaching the recipient in Korea. (Korolainen, interview 9.12.2011.) Due to the economic difficulties, far location and challenges related to market conditions, export operations were not continued but the process of perceiving opportunities and then developing them further implies Korolainen's ability to look for and interpret changes that create new business opportunities. (Korolainen, interview 9.12.2011; cf. Gaglio & Katz 2001, 100.)

This suggests that Korolainen has good information processing skills and, thanks to his international experience and expertise in the business, developed mental frameworks that help him in interpreting new information and meanings of changes (cf. Hsieh et al. 2009, 11; Ozgen & Baron 2007, 179; Gaglio & Katz 2001, 95–98). These sorts of abilities and readiness to recognize market gaps when they occur, represent Korolainen's general alertness (cf. Gaglio & Katz 2001, 97; Kaish & Gilad 1991, 49). Speaking for his high alertness, which has resulted in continuous search for information and is not tied to working hours or place, is Korolainen's habit to ask opinions and comments of his family (cf. Kaish & Gilad 1991, 49). *I love to ask comments, go through things. And they do affect... I guess it's about evaluating and finding out about people's opinions that way.* In addition to high alertness, Korolainen has entrepreneurial awareness, which can be seen in his open-minded development of opportunities in Far-East and company's current business expansion to Russia (cf. Aviram 2010, 115). (Korolainen, interview 9.12.2011.)

While Korolainen relies largely on networks and forums in order to access new information and resources, he also enhances his entrepreneurial alertness (Chandra et al. 2009, 54). Learning from markets and customer problems on fact-finding-travels has given him the type of information that has been found to be especially important for international opportunity recognition (cf. Shane 2000, 452). Accumulating knowledge promotes the development of mental schema and enhances both entrepreneurial alertness and activeness (cf. Chandra et al. 2009, 52; Ozgen & Baron 2007, 179). Having extensive personal network, Korolainen is able to benefit from direct contacts, which according to earlier research, result in better outcomes compared to the search via public sources of knowledge (cf. Baron 2006; Hills & Schrader 1998). Even though Korolai-

nen searches new opportunities actively, he thinks that new ideas most often occur unexpectedly. *The most often it is just a piece of information that you get somewhere. A short discussion with someone. – Maybe talking to a purchaser or a local person, telling that we have this and that product. Asking if the product would stand a chance on the market.* (Korolainen, interview 9.12.2011.) This confirms the assumption according to which also experienced companies that search for new opportunities may discover international opportunities accidentally (cf. Chandra et al. 2009, 51).

#### Halva: activeness and alertness in international opportunity recognition

Motivation for Halva's active search for new international opportunities is largely based on the growth. With long experience in business and international markets, the company knows where to search for, which is one of the most important things in opportunity recognition (cf. Kirzner 1978, 67). Belonging to an established business network, having a lot of valuable personal contacts and participating in various projects and programs allow Halva to diversify its knowledge base, to develop accurate understanding of the business and to search new opportunities the way that has been found to be most profitable (cf. Chandra et al. 2009, 54; Ozgen & Baron 2007, 187; Baron 2006; Hills & Schrader 1998). Being a middle-sized company, Halva can diversify its know-how, networks and international experience also through hiring new experienced people and that way increase its entrepreneurial alertness (cf. Chandra et al. 2009, 54). Karavokyros and Halva's personnel responsible for international markets follow also actively local media in foreign markets in order to get information about the markets, customer preferences and potential changes on the market. Reflecting Halva's alertness to changes, it creates new products according to changing demand; e.g. organic and sugar-free products have been created to answer the rising preferences for healthier and additive-free nutrition. Halva is hence able to recognize and benefit from potential market gaps, which suggest that, the general alertness and awareness in the company are high (cf. Aviram 2010, 115; Kaish & Gilad 1991, 49).

In the hope for new opportunities and experience, Halva has earlier participated in exporting programs. Based on the experience Karavokyros does not regard them, however, as a suitable forum or source for new international opportunities for Halva in the future. Today, new opportunities are therefore tracked via travelling, partners and information obtained at trade fairs and following the local media (cf. Kontinen & Ojala 2011b, 450; Söderqvist 2011, 195). In addition to active search, also the role of passive search and staying alert is important for opportunity identification. Especially export exhibitions involve a lot of passive search and just being alert if a potential partner appears. Karavokyros explains that active search is often followed by a passive phase of

waiting for the results from contacting certain parties. Sometimes it may take several years before efforts bear fruit, which supports Söderqvist's findings concerning relationships that can be reactivated and then used for entrepreneurial and internationalization processes (Söderqvist 2011, 194). Staying alert is important also for reacting to unexpected references.

*We get a lot of new contacts and sales channels because people ask (for our products) so much today. – It is a good sign of our successful long-term aim, on which we have been working the past 25 years; to make Halva a well-known licorice supplier. (Karavokyros, interview 28.10.2011.)*

Compared to Bioferme, Riihipuoti, Raikastamo and Kankaisten Öllykasvit, it can be stated that Halva has more strategic approach to internationalization and tracking new opportunities. It has a business plan that it is able to follow, whereas younger and less established companies need to do business step-by-step and based on intuition.

#### Helsingin Mylly: activeness and alertness in international opportunity recognition

Parallel to Halva, Helsingin Mylly has long experience and extensive knowledge of international markets, which make active search for new opportunities likely and possible for the company (cf. Chandra et al. 2009, 52). Supporting the theory, the company is engaged in active opportunity exploration in which it uses trade fairs, its established European network, other international contacts and its human resources. According to Puhk, the international experience and business expertise of Helsingin Mylly's export managers have always been important for the international opportunity identification and it is mainly the export manager who is responsible for finding new international customers and who knows where to look for important information and new contacts (cf. Chandra et al. 2009, 54; Kirzner 1978, 67). The network in which Helsingin Mylly is established in European markets and contacts the company has on other markets represent an important channel for finding out the need for the product. The most important forum for searching new opportunities is nevertheless trade fairs in which company actively takes part. (Puhk, interview 24.11.2011.)

Helsingin Mylly also understands the importance of following the changes and trends in food culture. Illustrating company's entrepreneurial alertness and enhancing the mental models that help in interpreting new information, company follows the development of consumer trends. Ability to interpret the findings promotes Helsingin Mylly's innovativeness and openness to new opportunities (cf. Hsieh et al. 2009, 11), which can be seen in company's engagement in product development according to consumer preferences. Although Helsingin Mylly looks for new possibilities actively, a big part of its new customers contact them directly without any previous relationship or actions taken by Helsingin Mylly.

*Very often they (customers) just call or visit our stand at a trade fair. Based on their needs, they surf on the internet trying to find suppliers – and they find us.* (Puhk, interview 24.11.2011.)

Unsolicited orders have often been found to be involved in international opportunity recognition, which suggests enhanced opportunity identification chances for Helsingin Mylly (cf. Kontinen & Ojala 2011b, 450). Good reputation, visibility on the internet and at trade fairs, and good network position enable the company to benefit from these spontaneous orders. Especially orders from further countries, like from Africa, are these sorts of unexpected orders. Nevertheless, customerships from distant countries are often based on acute need and they tend not to last more than a year. As Puhk explains, orders are based on severe need for grain and they vary according to the crops. In order to capture this kind of opportunities, Helsingin Mylly stays alert for information related to crop damages. (Puhk, interview 24.11.2011.)

Despite the active search for new contacts, customers and opportunities, Puhk considers opportunity identification as an accidental and unconscious process. According to her, ideas often rise from the perception of the customer need and comparing it to the features of the current product. (Puhk, interview 24.11.2011.) It seems hence to be so that in finding new markets and contacts, active search can be valid for Helsingin Mylly, but in terms of generating new products and other innovative action, the opportunity recognition process is largely based on alertness and sudden discovery of new ideas.

#### Summary on activeness and alertness in international opportunity recognition

Some support to certain entrepreneurial mindset that enhances one's alertness can be found in the results of this study. Optimism and self-confidence are the most highlighted characteristics that previous research points out and that were perceived in this study as well (cf. Butler et al. 2010, 129; Pech & Cameron 2006, 61; Gaglio & Katz 2001, 99). They come forth clearly in the interview with Scharlin, who emphasizes her determination, willingness to succeed and her belief in the product, and in Kähönen, who describes company partners' beliefs in the business idea and doing business as far too optimistic. (Kähönen, interview 4.11.2011; Scharlin, interview 20.10.2011.) Belief in the product and optimism can also be seen family Saari, who started the business with no experience (Saari A., Saari E., interview 27.10.2011). However, these characteristics do not come forth in cases of Halva and Helsingin Mylly. Both entrepreneurs refer to decisions based on realistic calculations and objective data rather than intuition and pure belief in the product like the other four companies do. (Puhk, interview 24.11.2011; Karavokyros, interview 28.10.2011.) As a conclusion, it could be stated

that optimism and self-confidence seem to be highlighted in the start-up and early phases of the company development, but as companies become more established their role seems to decrease. In the literature reviewed for this study this sort of evolution was not pointed out.

Search for new international opportunities is actively conducted by Bioferme, Raikastamo, Kankaisten Öljykasvit, Halva and Helsingin Mylly. Also Riihipuoti, as a young company, is taking part in various internationalization programs and projects but nevertheless concentrates its efforts currently in Finland, where demand for their products is booming and no special need for searching international markets exists. Riihipuoti is also the only one that did not search for international opportunities when they were perceived. (Saari A., Saari E., interview 27.10.2011.) Differences in search activities can be explained through pattern recognition, which assumes that more experienced and knowledgeable entrepreneurs are more likely to search for new opportunities than the novice ones are (Chandra et al. 2009, 39; Baron 2006). The ways to search for new opportunities are related to active partner searches, attending travels and seminars, building partnerships, following local media and attending trade fairs (Korolainen, interview 9.12.2011; Puhk, interview 24.11.2011; Kähönen, interview 4.11.2011; Karavokyros, interview 28.10.2011; Scharlin, interview 20.10.2011).

Trade fairs are also the most important forums for opportunity tracking and binding new network contacts. This has been highlighted also in the earlier research (cf. Kontinen & Ojala 2011b, 450; Ellis 2000, 461). Especially Halva and Helsingin Mylly underline the importance of trade fairs, whereas Raikastamo and Kankaisten Öljykasvit emphasize partnerships and cooperation. For Riihipuoti, trade fairs represent the major channel for new contacts and opportunities in domestic markets (Saari A., Saari E., interview 27.10.2011). Taking part in exporting programs and educations and trips that aim to get to know certain markets are also very popular among the smaller companies, while Halva and Helsingin Mylly travel on their own and reject the idea of organized trips. Active search has been strongly encouraged by the changes in external environment in cases of Bioferme and Riihipuoti. Entrepreneurs from both companies suffered from the recession in the 1990s', which led them to seek new opportunities in order to maintain employment (Saari A., Saari E., interview 27.10.2011; Scharlin, interview 20.10.2011). In these cases, external environment can be hence seen to affect the opportunity recognition (cf. Zahra et al. 2005, 132).

The findings also support the importance of general entrepreneurial alertness in international opportunity recognition (cf. Gaglio & Katz 2001, 100; Kaish & Gilad 1991, 49). Scharlin, Kähönen and Korolainen describe their search activities that are not related to working hours, and all of the interviewees have been able to perceive changes e.g. in consumer habits or market needs, which has led them to discover opportunities deriving from that particular shift (Korolainen, interview 9.12.2011; Kähönen, interview

4.11.2011; Scharlin, interview 20.10.2011). Illustrating the synthesis of alertness and activeness, Puhk points out that even though opportunities are actively searched, it is impossible to tell where they come from and what kind of action results in opportunity recognition (Puhk, interview 24.11.2011). Perceiving opportunities in unexpected places and just recognizing them suggest that heightened entrepreneurial alertness is an important antecedent for opportunity identification (cf. Kaish & Gilad 1991, 48).

As this chapter 4 has discussed, the international opportunity recognition is a multi-phase process, which is affected by prior knowledge, networks and entrepreneurial alertness and activeness. Even though these theoretical parts have been separated from the process and they have been proved to be relevant factors affecting the process, it has to be borne in mind that the parts are strongly related to each other. They form a synthesis in which one part affects all the others. This synthesis and the results of the study is discussed and analyzed in the following chapter.

## 5 DISCUSSION AND CONCLUSIONS

The aim of this study was to understand international opportunity recognition among Finnish SMEs operating in organic food industry. Geographically the study concentrated on companies' operations in the Baltic Sea region. Derived from the previous literature, the sub-problems of the study sought to define the process of international opportunity recognition and to understand the roles of prior knowledge, networks and entrepreneurial activeness and alertness in the process. In this chapter, the main results of the study are discussed and conclusions are made.

The results of this study support largely the existing opportunity recognition theories but also contribute to the current research. Especially differences between international and domestic opportunity recognition and differences between established and younger companies in various fields of the theory are interesting and new perspectives that rise from this study. Related to opportunity recognition process, the study confirms underemployed resources and market needs as factors that often give impulses to new ideas. What is new, however, is that underemployed resources seem to be more likely involved in the original business concept creation than in international opportunity recognition (cf. Ardichvili et al. 2003). This kind of difference has not been discussed earlier in international opportunity recognition studies.

It can be hence stated that *the results indicate a difference between international and domestic opportunity recognition processes*, which contradicts with Söderqvist's (2011, 192) statement according to which international opportunity recognition and exploration is a parallel process to initial business concept creation. On the other hand, it has to be noticed that Söderqvist's assumption is derived from her study focusing on relationships and their roles in domestic and international opportunity recognition. (Söderqvist 2011, 192.) Moreover, her study focused on international new ventures and born global companies, which differ from companies that internationalize their operations more traditionally, growing first on domestic markets and then moving incrementally to foreign markets as it has been the case for companies in this study (cf. Johanson & Wiedersheim-Paul 1999). Reasons for the contradiction could be therefore explained by the differences between the focuses of the studies and in the companies that were studied. Nonetheless, the contradictive results suggest that a difference seems to exist in international opportunity recognition process between incrementally internationalizing and born global companies. Both types of companies have been addressed in earlier studies of international opportunity recognition, but no extensive comparison between the two types in terms of international opportunity identification has been made (cf. Kontinen & Ojala 2011a; Kontinen & Ojala 2011b; Söderqvist 2011; Coviello & Munro 1994).

To sum up the role of prior knowledge in international opportunity recognition among the companies studied in this research, *the importance of understanding custom-*



*er problems in a particular market rises over other types of knowledge.* While all of the companies perceived opportunities related to existing demand or need on a market, they did not necessarily have any other prior knowledge or experience related to that particular market. This observation supports the findings of Kontinen and Ojala (2011a, 508) but contradicts with some other earlier research results (cf. Baron 2006; Shane 2000). Nevertheless, all of the interviewees understood the importance of getting access to market knowledge somehow before starting international operations (Korolainen, interview 9.12.2011; Puhk, interview 24.11.2011; Kähönen, interview 4.11.2011; Karavokyros, interview 28.10.2011; Saari A., Saari E., interview 27.10.2011; Scharlin, interview 20.10.2011).

Given the lack on market specific knowledge, the results suggest that international opportunity recognition could be explained by entrepreneurial experience and network knowledge. Even though neither Bioferme, Raikastamo nor Kankaisten Öljykasvit had experience of operating in the markets where they perceived opportunities, they were yet able to first evaluate them positively and then eager to exploit them. The categorization of knowledge according to its sources (cf. Mejri and Umemoto 2010) allows broadening the concept of prior knowledge. In addition to knowledge of markets, customer problems and ways to serve markets, new sorts of knowledge related factors can be considered (cf. Shane 2000). Despite the lack of market specific knowledge, the companies studied in this research did benefit from long entrepreneurial experience, international experience in food industry and/or extensive networks. Considering the multiple aspects of prior knowledge introduced in this study, it can be concluded that *any type of knowledge stimulates international opportunity recognition.* This supports pattern recognition theories, which assume that any knowledge enriches mental models that enable individuals to connect the dots and recognize opportunities also in previously unknown situations (Ozgen & Baron 2007, 179; Baron 2006, 112–114).

Findings related to networks support largely the current literature. As the theory assumes, variance and dynamism of one's networks were found to be stronger in novice companies in their early internationalization phases and weaker among more established and internationally experienced companies, in this case Halva and Helsingin Mylly (cf. Johannisson 1998, 300). This can be interpreted via considering the effects of networking action. Halva and Helsingin Mylly rely on more established networks than the four younger companies, which on the other hand emphasize networking action aiming at building weak ties into stronger ones and business ties into personal ones (cf. Dubini & Aldrich, 1991, 307–309). Similar to earlier studies, extended networks and weak ties are found to be more important in the early phases of international opportunity development also in this study. Also the initiation of relationships at trade fairs and through broker-

age supports the assumptions made by the previous literature (cf. Kontinen & Ojala 2011b, 450; Ellis 2000, 446).

Despite the supportive nature of the results, also new findings that could be studied further were made in relation to networks. First, *there is a difference between benefits the novice and established companies obtain from their networks involved in international opportunity exploration*. It was found in this study that novice and small companies Bioferme, Riihipuoti, Raikastamo and Kankaisten Öljykasvit gain access to material resources, cost-savings and human resources, while internationally experienced, established and medium-sized companies Halva and Helsingin Mylly benefit most from information they access via networks. All of these benefits are discussed and assumed by the earlier literature but no distinction in their importance among different types of companies is addressed. The results could be explained by the big differences in the companies' sizes in terms of their financial resources, personnel and scope of internationalization. The net sales of the companies vary from less than 20 000 Euros of Raikastamo to 25 Million Euros of Helsingin Mylly. Accordingly, the number of employees differs from five persons in Riihipuoti, Raikastamo and Kankaisten Öljykasvit to 70 of Halva and Helsingin Mylly. Also the age of companies varies from five years of Raikastamo to 70 years of existence of Halva. These differences must be regarded as important factors when seeking to explain the results. It is clear that the smallest companies have the most limited resources, which allows drawing the conclusion that they are the most dependent on network ties and on resources that these ties can offer access to (cf. Coviello & Munro 1994, 50; Coviello & Munro 1999, 129). This can be regarded as one potential reason for the results of this study. If this was the case, categorizing small and medium-sized companies into one single category could be reconsidered in terms of international opportunity recognition and benefits offered by networks.

Also the level of establishment and international experience could explain the results. Since Halva and Helsingin Mylly have both existed more than 50 years, they have become established organizations with good market position both in Finland and foreign markets. This position and good reputation allow companies to benefit from stable flow of orders, which enhances companies' financial stability and enables required investments and actions that companies with poorer resources cannot afford. Nonetheless, it remains unanswered, why medium-sized companies in this study emphasize only the role of information as a benefit drawn from networks and leave other assumed benefits like resource pooling and cost-sharing unmentioned.

Besides the differences in benefits drawn from networks, also the nature of international network culture compared to purely Finnish networks came up in the study. Korolainen, Puhk and Karavokyros point out the cultural differences related to sharing information and contacts with other network members. According to them, *the limits of shared knowledge are stricter in Finnish network culture, whereas international net-*

*works are more strongly based on open communication, cooperation and benchmarking. International network culture is hence more oriented towards collaboration than competition, which is the case in Finnish networks.* This interesting observation has not been pointed out in the previous literature reviewed for this study.

This study suggests that both entrepreneurial activeness and alertness are vital for international opportunity recognition. Interestingly, all but Riihipuoti searched for new, international opportunities actively when the cross-border opportunities were perceived. Despite the active search, some opportunities were recognized suddenly, which indicates high entrepreneurial alertness of the companies in this study. Entrepreneurs describe actions and states of being continuously alert for new opportunities (cf. Aviram 2010, 114). They are scanning their environment and looking for changes that would suggest new business opportunities (cf. Dubini, Aldich 1991, 305). What is interesting in the results is the involvement of certain personal traits, like optimism and self-efficacy, which have been suggested also in the earlier literature. Also in this case a difference between established and novice entrepreneurs comes forth. Optimism, self-efficacy and determination can be seen in the entrepreneurs of the younger companies but in Halva and Helsingin Mylly this kind of personal traits are not highlighted. They seem to be hence emphasized in start-up and early phases of the company development, but as companies become more established their role seems to decrease. In the literature reviewed for this study, this sort of evolution was not pointed out.

Following the previous literature and the results of this study, entrepreneurial activeness and alertness in opportunity recognition are linked with prior knowledge and networks. The study has also shown that these theoretical elements are inseparable parts of the process and each part affects another. Based on the previous literature and the results of this study, the following Figure 3 has been formulated. The Figure 3 illustrates that *the theoretical aspects form a symbiosis, where all parts are related and important for the international opportunity recognition process.* While networks affect prior knowledge and prior knowledge affects mental frameworks, activeness and alertness are enhanced. Entrepreneurial activeness and alertness then promote entrepreneurs' participation in networks. The result is a multifaceted process, in the center of which lies international opportunity recognition.

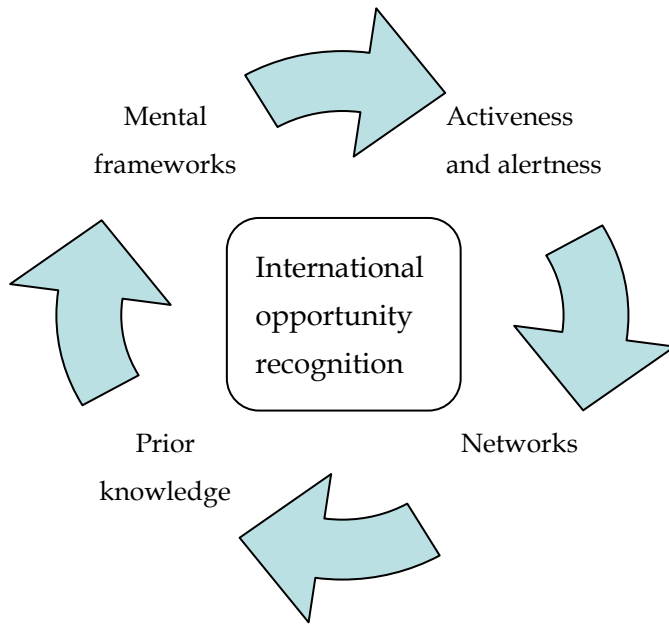


Figure 3 International opportunity recognition process

Even though the Figure 3 seeks to formalize international opportunity recognition process, it has to be remembered that due to the nature of the human processes and linkages between the factors, the actual development of international opportunity recognition varies case by case and can thus never be completely formalized. Nevertheless, this synthesis allows concluding that all parts are inseparable from the process and hence crucial for the outcome, namely international opportunity identification.

The results of this study have also managerial implications. As international opportunity recognition process is often related to underemployed resources and perceiving market needs, entrepreneurs seeking new opportunities should be aware of these two aspects and evaluate their business and business environment accordingly. Companies can also be advised to emphasize learning and knowledge creation and maintaining, because education and prior knowledge related to particular business, customer problems, entrepreneurial experience have been found to affect the international opportunity identification potential. It should also be kept in mind that no particular type of knowledge can be defined as decisive in opportunity recognition process. Instead, anything that allows entrepreneurs to perceive discontinuities and market gaps must be regarded important type of knowledge enriching one's mental frameworks (cf. Baron 2006). Entrepreneurship and discovering new international or domestic opportunities is hence not tied to particular individuals but available to all. Nevertheless, the importance of knowledge related to one's personal interests and/or professional expertise area is underlined in the results of this study and previous literature.

Also active networking, taking part in events and conferences, and discussing with people with different backgrounds can be recommended to companies based on the re-

sults of this study. Since networks offer channels to information and new ideas, companies should understand the role of social activities both in and outside of an organization and encourage the creation of new and diverse relationships. In brief, it can be concluded that entrepreneurs looking for new international opportunities, or individuals seeking to start an entrepreneurial career, should actively build their networks, stay alert to changes in their environment, and possess a great amount of industry related knowledge in order to successfully exploit new opportunities.

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## APPENDIX

### Research questionnaire

1. Theme: Perceived opportunities
  - a. Describe shortly your international operations.
  - b. What products do you export to the Baltic Sea region area? Why the particular products and the BSR have been chosen?
  - c. Have the products been created or modified for the international markets?
  - d. What kinds of factors enhance the organic food business in the Baltic Sea region?
  - e. What sort of expertise supporting the business in the BSR your company possesses?
2. Theme: Prior knowledge and experience
  - a. What kind of previous knowledge and experience did you have of international business, markets and internationalization before you recognized international opportunities?
  - b. How did your previous experience in the business help in perceiving international opportunities?
  - c. How did your personal interests affect the international opportunity recognition?
3. Theme: Networks
  - a. What kind of role networks played in international opportunity recognition?
  - b. What sorts of networks have affected your international opportunity development?
  - c. How familiar were you with the persons who affected in the international opportunity recognition?
  - d. What kinds of factors were decisive in choosing a new partner?
  - e. What kind of role family members and friends had in the international opportunity recognition of your company?
4. Theme: Activeness and alertness
  - a. When you perceived international opportunities, did you conduct an active search for them?
  - b. How did you search for opportunities?

- c. What kind of impulses can you recognize related to international opportunity recognition?