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**Entrepreneurial Dynamics of Internationalising Ventures:
The Opportunity-Value Creation Nexus**

A thesis
submitted in fulfilment
of the requirements for the degree
of
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Abstract

International Entrepreneurship (IE) theory has developed extensively over the last two decades by drawing on various theoretical perspectives. While this growing body of knowledge has provided rich insights into the internationalisation behaviour of firms from multiple theoretical perspectives, it has also rendered IE theory fragmented and devoid of a unifying theoretical direction.

Using a qualitative approach, this study intends to address the gap identified above by developing a framework for the entrepreneurial internationalisation process. As such, the study focuses on the entrepreneurial aspects of “opportunity identification and exploitation”: an area to which IE researchers have paid little attention. It is argued that this focus is appropriate as it can extend the scope of international business and IE research by strengthening the foundations of the entrepreneurial theory of internationalisation.

The study findings extend key insights into the internationalisation process of entrepreneurial firms. The research context provided unique perspectives of how firms in the agriculture-base primary industry in a developing country internationalise. The case findings identified prior knowledge, creativity, self-efficacy, perseverance, and passion as drivers of the opportunity development process. Also, the study supported the idea that both access to resources and entrepreneurs’ social capital have significant influence on how opportunities are developed.

The results elucidated a new concept – “entrepreneurial insight” – to explain how thinking, knowledge, and dynamic capabilities integrate to act as the core processes of opportunity development. These three factors can be identified as idiosyncratic entrepreneurial resources in the process of opportunity development and exploitation. The exploitation of opportunities thus leads to new strategic and operational paths and positions, which then affect the firm’s performance in terms of degree of internationalisation, growth, survival, and profitability.

The findings provide a better understanding of internationalisation using three defining elements in the internationalisation process: entrepreneurial intention, opportunity development, and value innovation. These factors provide an insightful explanation of different international trajectories that firms take, and how these trajectories sustain their international activities over time.

Finally, the study provides managerial and theoretical implications that can guide practitioners towards an appreciation of the dynamics of individual capacities, the value of networks, and the resources that need to be harnessed by learning, adapting, and taking timely decisions to generate value-creating opportunities in international markets.

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Chapter 1

Introduction

1.1 Introduction

The seminal work of Oviatt and McDougall (1994) paved the way for the emergence of a new research direction in International Business (IB). Their work highlighted gaps in mainstream IB theories and focused on the rapid internationalisation patterns of new entrepreneurial ventures. Since then, international entrepreneurship (IE) theory has developed extensively by drawing on various theoretical perspectives, for instance, network, strategic management, marketing, and entrepreneurship (Mtigwe, 2006).

However, while this growing body of knowledge has provided rich insights into the internationalisation behaviour of firms from multiple theoretical perspectives (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Freeman, Hutchings, Lazaris, & Zyngier, 2010; Johanson & Vahlne, 2009; Jones & Coviello, 2005; Mathews & Zander, 2007; Weerawardena, Mort, Liesch, & Knight, 2007), it has also made the IE theory fragmented and devoid of a unifying theoretical direction (Keupp & Gassmann, 2009). The critical role played by entrepreneurial actors was downplayed in IE studies until it was highlighted by Jones and Coviello (2005). Drawing on international business and entrepreneurship literature, they reconceptualised IE research by introducing a general model depicting the entrepreneurial internationalisation process. This model laid the foundational framework for the development of an entrepreneurial theory of internationalisation.

However, to date there has been little effort to extend this line of work to understand the internationalisation process from an entrepreneurial perspective. Thus, the need to understand the competences and resources specific to the entrepreneur in identifying, developing, and exploiting value-creating international opportunities remains.

The present study intends to address this gap by developing a comprehensive framework depicting the entrepreneurial internationalisation process. In so doing, this study focuses on the entrepreneurial aspects of “opportunity identification and exploitation”, an area to which IE researchers have paid little attention despite its ability to extend the scope of IB and IE research (Johanson & Vahlne, 2006; Jones & Coviello, 2005; Mathews & Zander, 2007; Oviatt & McDougall, 2005a; Styles & Gray, 2006).

1.2 Significance of the study

At present the entire South Asian region is going through a period of heightened economic activity, averaging 6 per cent growth per annum over the past two decades (The World Bank, 2013). This strong growth has translated into declining poverty and impressive improvements in human development. There has been significant growth in the entrepreneurial activities in this region ranging from regional developments to multinational endeavours. However, the existing IE studies primarily originate from developed countries. With the exception of India, knowledge contributions from South Asian countries are almost non-existent in the IE literature. In addition, the IE research is biased towards researching knowledge intensive high-tech firms, meaning that agriculture-based industries have almost no presence in the IE literature. Another important point is that the majority of IE

research puts emphasis on new ventures and SME internationalisation. While this emphasis has increased our understanding about the nature of new venture internationalisation, knowledge about their survival and subsequent internationalisation behaviour is limited. There is little empirical understanding as to how International New Ventures (INV) or Born Global (BG) companies grow and sustain their international activities over time (Mudambi & Zahra, 2007; Zahra, 2005). This study intends to address these omissions by focusing on mature, agriculture-based, exporting companies in Sri Lanka.

Mainstream IB theories such as process theories and product lifecycle theory posit that firms internationalise gradually with increasing market knowledge and commitment, while IE scholars argue that firms, from inception, take on a revolutionary internationalisation approach by entering global markets. A third view which has recently emerged from the IE literature focuses on the integration of both process theory and INV theories, arguing that there is little difference between BG and traditional firms in terms of strategic and financial performance (Melén & Nordman, 2009; Zhang, Tansuhaj, & McCullough, 2009). This study holds the view that it is possible to integrate both the process theory and the INV theory, since the underlying mechanism of internationalisation may be grounded at the “opportunity” and “value creation” nexus. As such, the INV or BG phenomenon is also a result of a path-dependent process that goes well into the pre-venture formation stage. This study, therefore, intends to bring a new insight to the IE domain by introducing the interdependent nature of the “opportunity” and “value creation” propensity of a firm, and their influential roles in determining the internationalisation path and its sustainability.

Finally, drawing on IE literature and on entrepreneurship (Ardichvili, Cardozo, & Ray, 2003; Corbett, 2005; Minniti & Bygrave, 2001; Sarasvathy, 2001; Shane & Venkataraman, 2000), strategic management (Barney, 1996; Kim & Mauborgne, 2004), network theory (Chetty & Holm, 2000; Nahapiet & Ghoshal, 1998; Yli-Renko, Autio, & Tontti, 2002), this study intends to develop a conceptual model identifying specific entrepreneurial, firm and network variables that act as antecedents to opportunity identification, development, and exploitation. The aim in so doing is to understand how firms generate value in an international setting to create sustainable competitive advantage. It is posited that the application of the opportunity-value creation nexus will enhance our understanding of the dynamic nature of the internationalisation process and contribute towards filling the gaps and inconsistencies that currently exist in the internationalisation and IE literatures.

1.3 Research questions

IE scholars agree that the internationalisation process is initiated by entrepreneurial opportunity (Oviatt & McDougall, 2005a). Hence, opportunity identification is highlighted as a key factor in explaining the underlying mechanism of the internationalisation process (Styles & Seymour, 2006). Furthermore, the success and sustainability of the firm depend on the firm's ability to create value consistently for its stakeholders (Kim & Mauborgne, 2005b). However, theoretical and empirical insights into the integration and application of these two factors are almost non-existent in the IE literature. Therefore, this study intends to answer the following question:

What factors influence the internationalisation path of a firm, and how does the firm sustain this path?

This broadly defined question will enable the researcher to critically assess how existing mainstream IB theories have tried to answer that question, using an economic transaction cost approach, internalisation theory, international product lifecycle theory and OLI paradigm, and behavioural perspectives (Uppsala internationalisation model and innovation-related models). However, their limited explanatory power in understanding the BG internationalisation path and the emergence of entrepreneurship perspectives in IE research has expanded the above research question into two sub questions:

Q1) What factors act as the antecedents of international opportunity identification and development?

Q2) How do entrepreneurs exploit identified opportunities and create value in international markets?

These two sub questions serve two purposes. First, they set a unifying direction for the IE domain by identifying opportunity development as a focal point of the internationalisation process. Second, they draw from relevant insights from the strategic management perspectives to identify the critical elements that influence this dynamic process of entrepreneurial behaviour over time.

1.4 Methodology

This study uses a multiple case study approach with embedded design/units of analysis. This approach allows the researcher to focus on specific phenomena in operational detail at the individual (e.g., entrepreneurial capacities, knowledge, and learning) level, and at the firm level (value creation) (Yin, 2003). The method for selecting the case firms was based on a theoretical sampling approach. This study

included 11 case firms operating in the Sri Lankan agriculture-based food manufacturing industry (eight from the tea industry, two from biscuit manufacturing, and one from mineral water bottling). Data collection methods consisted of: (a) 30 semi structured interviews targeting founding entrepreneurs/team or senior managers; (b) six supporting supplementary interviews with experts; and, (c) a review of publically available secondary data sources (i.e., newspaper articles, trade magazines, company brochures, and company websites).

This study adopted the deductive approach recommended by Yin (2003) where theoretical propositions are developed after an extensive literature review prior to data collection. The analysis procedure followed the recommendations of Ghauri (2004). First, the narratives of events were organised chronologically. Second, data were coded according to concepts and themes. Third, multiple case data were clustered using the NVivo 9 software to categorise the case findings according to common themes. In-depth individual cases were written sequentially as the researched progressed. Finally, cross-case findings were analysed with the assistance of the different query functions available in the software, for example, word frequency, text search, cluster analysis, and using matrices to identify patterns and themes that supported and contrasted with existing theory.

1.5 Research contributions

The intention of this study is to extend the theoretical underpinning of IE theory by introducing a robust conceptual model to explain the entrepreneurial internationalisation process of a firm.

1.5.1 Intended theoretical contributions

Primarily grounded on resource-based and entrepreneurship theories, this study intends to examine two critical dimensions of the entrepreneurial internationalisation process: opportunity development, and value creation. These two elements have not been previously discussed in an integrative manner in either the internationalisation or the IE literature.

First, the study intends to focus on specific entrepreneurial, network, and firm level variables that affect the internationalisation process of an entrepreneurial firm, thus enabling future researchers to operationalise these constructs within a defined IE boundary and its elements.

Second, the research proposes to examine the international trajectory of a firm and its sustainability as determined by the two critical dimensions of opportunity development and value creation. This examination expands the scope of IE studies by making the domain independent of firm size, age, and industry type.

Third, this study aims to highlight key factors that affect the opportunity development process. Thus, it will contribute to the existing body of theoretical knowledge on how opportunities are developed and exploited.

1.6 Structure of the thesis

The thesis consists of eight chapters and is structured as follows:

Chapter 2: Provides an overview of the existing literature. It reviews the major theoretical contributions of different theoretical domains such as, international business, strategic management, and entrepreneurship, to the current state of IE research development. This chapter discusses the existing literature, and identifies

the key constructs in relation to the research questions. It then builds the conceptual framework for the study and outlines the main constructs, their relationships, and key propositions. The theoretical conceptualisation focuses on entrepreneurial characteristics and the integrative role played by entrepreneurial knowledge and capabilities. It also looks at the influence that firm resources and social capital have on the opportunity development and value creation process.

Chapter 3: This chapter sets out the methodological approach of the study. First, it focuses on the philosophical assumptions and the research paradigm that position the research within an interpretivist research paradigm. Second, it provides the justifications for using a qualitative-based case study methodology. Third, it looks at the ethical considerations and confidentiality requirements that guided and were followed in this research. Fourth, it outlines the design phases of the research method. Finally, it looks at the data analysis tools and techniques.

Chapter 4: Chapter 4 provides a rationale for selecting the research context and a brief overview about the tea industry, external sector performance, and recent policy changes that influence the industry's competition dynamics. This chapter highlights the academic value of selecting traditional agriculture-based exporting firms, from a developing country perspective.

Chapter 5: This chapter provides detailed information about the 11 individual case firms. It describes the evolutionary internationalisation path of these case firms, those factors that contributed to initial opportunity identification, along with sustainability and value creation aspects.

Chapter 6: Chapter 6 discusses the outcome of cross-case findings. It looks at the results of theoretical coding and new themes that emerged from the study. This

chapter compares and contrasts the eight cases in the tea industry and reflects on the three non-tea industry case firms to understand the internationalisation process from the perspective of a traditional firm that started life focusing on the local market, in order to refine and develop the theoretical propositions.

Chapter 7: This chapter delivers the individual and cross-case findings. It identifies five key themes which emerged from the study: entrepreneurial drivers, entrepreneurial insight, entrepreneurial intentions, exogenous influences, and nexus of value creation and opportunity. Then it introduces a developed conceptual model integrating existing theoretical constructs and newly identified constructs to build a general model depicting the entrepreneurial internationalisation process and its implications for theory.

Chapter 8: This chapter concludes the thesis by highlighting the findings, theoretical and managerial implications, limitations of the study, and future research directions.

1.7 Summary

The objective this chapter was to introduce the thesis. It outlined the significance of this research to the IE domain. This chapter also briefly introduced the research questions, methodology, and intended research contributions, in addition to introducing the layout of the study.

In order to lay a theoretical foundation for the rest of the study, the next chapter provides a comprehensive literature review of the IE field.

Chapter 2

Literature Review

2.1 Introduction

The objective of this chapter is to identify those mainstream theories that have influenced the development of IE research. In doing so, this chapter identifies the key concepts and constructs that laid the foundations for the conceptual framework of this study. The chapter starts by looking at the historical development of IB theories and identifying the gaps in these theories. It then looks at the effect of the network theory, the resource based theory, and the knowledge based view, the dynamic capabilities perspective, and entrepreneurship on IE theory development. Finally, the critical roles played by the entrepreneurial actors and the opportunity development process are discussed broadly in order to define the theoretical boundaries of the IE domain.

2.2 Historical development of theories of internationalisation

Internationalisation is a phenomenon that has been researched extensively over the last three decades. It has been considered under different theoretical domains, including strategic management, organisational theory, international business, and small business management (Bell, 1995; Lu & Beamish, 2001; Ruzzier, Hisrich, & Antoncic, 2006).

Welch and Luostarinen (1988) defined the term “internationalisation” as “the process of increasing involvement in international operations” (p. 84). The modern theory of the internationalisation of the firm can be traced back to the 1950s, but

the history of international trade dates back to 3000BC and the ancient Egyptians, Greeks, and Phoenicians.

Nevertheless, it was the work of Adam Smith (1776), with the introduction of the concept of “absolute advantage” that contributed to a major turning point in the history of international trade. Smith argued that international trade is beneficial for all the nations involved in it because of the absolute advantage possessed by each nation through the production of goods and services. Ricardo (1817) refined this idea further and introduced the concept of comparative advantage, suggesting that the different levels of relative efficiencies of countries promote trade, thus benefitting the trading nations. The concept of comparative advantage was later advanced by the Heckscher-Ohlin theorem (named after the Swedish economists who proposed it) which stated that a country will export its relatively abundant factors and import relatively scarce factors of production (Heckscher & Ohlin, 1933).

These early theories recognised the specialisation of value-adding activities that led to productivity gains in the deployment of resources (Akoorie & Scott-Kennel, 2005). However, they were subject to criticism due to their limited predictability and restrictive assumptions (absence of risk and uncertainty, bounded rationality, information asymmetry, and free transfer of technology). They made no attempt to explain the effects of volume and complexity of transactions (Dunning, 1993).

The next major theoretical contribution emerged from work of Coase (1937). His work paved the way for the development of Transaction Cost Economics (TCE) theory (Williamson, 1975, 1979). The TCE theory provided the rationale for Multinational Enterprises’ (MNEs) alternative governance structures and foreign market entry modes, based on advantages and disadvantages of conducting transactions using the market mechanism of price and efficiency considerations.

Coase's (1937) paper also proved central to the development of the internalisation theory of the firm (Safarian, 2003). He suggested that MNEs could grow and effectively compete by internalising their external market activities – a concept later advanced by Hymer (1960) to explain *why* MNE firms existed in the first place.

Hymer's work made a significant impact on the theory of the multinational enterprise, as it marks the shift from country level (macro) analysis to firm level (micro) analysis of internationalisation. Drawing on the Heckscher-Ohlin theorem, Coase's 'internalisation', and Industrial Organisation (IO) theory (Bain, 1956), Hymer viewed the MNE as an institution for international production. Hymer's theory of Foreign Direct Investment (FDI) reasoned that MNEs had "Ownership (O) specific advantages", such as trademarks, brand names, patents, processes etc., which gave them the advantage over indigenous firms. He asserted that MNEs exploit these "O" specific advantages through "internalisation" of transactions using their subsidiaries located across national boundaries.

Later, it was Vernon (1966, 1974) who emphasised the *where* of international production rather than the *why* of international production. In his theory of Product Life Cycle (PLC), he identified four stages of the product lifecycle (manufacture for domestic market, exporting, overseas production, and overseas subsidiaries supplying to home market as well as third country markets) to explain how MNEs expand internationally.

The final phase of the economic strand of MNE theory development came from the work of three eminent scholars. First, Peter Buckley and Mark Casson (1976) extended the theory of internalisation by articulating that private companies internalised imperfect markets to the point where the cost of internalisation equalled its benefits. As such, firms' proprietary knowledge was kept protected using FDI

rather than other entry mode in order to keep the O-specific advantages exclusive to the firm.

However, the theories discussed above had their weaknesses. Hymer's perspective gave no explanation about how the proprietary knowledge is developed; it is taken as given (Buckley & Casson, 1976), while knowledge as to why firms choose a particular country as against another is not considered in any detail (Forsgren, 2008). Similarly, country played an even lesser role in the internalisation theory, with its being considered a theory more concerned with internalisation than with internationalisation (Ietto-Gillies, 1992). Vernon's PLC failed to explain the increasing proportion of foreign investments which are not export substitutes (Buckley & Casson, 1976).

It was left to John Dunning to combine earlier conceptualisations and develop a fully-fledged paradigm of foreign direct investment giving due prominence to location, firm specific, and internalisation advantages. Drawing on the theoretical developments of Industrial Organisation (IO), location theory, and international trade, John Dunning's Eclectic paradigm, also called the OLI paradigm, focused on three main elements: Ownership (*O*), Location (*L*) and Internalisation (*I*) advantages (Dunning, 1979, 1980, 1988a). These three strands constitute the main hypothesis of Dunning's OLI paradigm that explain the ability and willingness of firms to serve markets and exploit these advantages to exploit foreign production (Dunning, 1979).

Dunning further refined his theoretical framework (Dunning, 1988a, 1988b, 1992, 1995, 2000) and clarified the 'O' advantages further by distinguishing them as 'asset' (*Oa*) (advantages that arise from the proprietary/intangible assets which can only occur through structural market imperfections such as product

differentiation, monopoly power, absolute cost barriers, and government intervention), and ‘*transaction*’ (O_t) (capacity to capture transactional benefits that arises from the common governance of a network of these assets in different countries rather than through market mechanisms) advantages of MNEs (Dunning, 1988a). This is an important distinction in the model, as it addresses why MNEs use hierarchies rather than external markets and why some MNEs exploit these advantages and not others. Thus, the model gives more prominence to market imperfections created by factors that are endogenous to the firm i.e., the MNE’s internal capabilities to generate and sustain ‘O’ advantages.

2.3 From economic based approaches to behavioural approaches

Overall, the economic based approaches discussed above explain the *why* of the internationalisation process from macroeconomic perspectives by focusing on the growth patterns of MNEs. These models emphasise the importance of product, location, asset ownership, and organisational efficiency. Also, in a subtle way, they highlight the importance of innovation, networks, knowledge, and institutional environments. However, they fall short of pointing out the role played by human actors, their entrepreneurial capabilities, and how these advantages are developed in the first place (Chandra, Styles, & Wilkinson, 2009). Therefore, these models, taken individually or collectively, do not explain *how* the internationalisation process takes place.

An answer to the ‘*how*’ of internationalisation came from the behaviourist school of thought in late 1970s. Scholars who focused on the behavioural approach to understand the internationalisation process primarily drew their theoretical underpinnings from the work of Penrose who developed the Penrosian theory of the

growth of the firm (Penrose, 1966), and behavioural theory of the firm (Cyert & March, 1963).

Theories related to the behavioural approach focused on the internationalisation process as a sequential unidirectional development of international activities starting from no exports, to establishing manufacturing plants abroad. The first contribution to this theoretical strand came from the work of Johanson and Weidersheim-Paul (1975), and later developed to a stages model – also known as Johanson and Vahlne's (1977) 'Uppsala' model. The Uppsala model became one of the most highly cited and empirically tested models among internationalisation theories. However, it also attracted criticisms due to its methodological and theoretical assumptions; these will be discussed later in this chapter.

Subsequently, a range of internationalisation models emerged with a theoretical conceptualisation similar to the Uppsala model, but with varying numbers of stages (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981).

Another important theoretical contribution came from industrial network studies (this contribution will be discussed in detail later in this chapter) that focused on the importance of resources embedded in the network partners and their influence in the internationalisation process of the firm (Johanson & Mattson, 1992; Johanson & Mattsson, 1988).

The latest contributions to the internationalisation theories have come from the seminal work of Oviatt and McDougall (1994) and Rennie (1993) that highlighted the existence of firms called International New Ventures (INV) or Born Globals (BG). These INV or BGs (hereafter called BGs) from inception derive significant value from their international activities. This early contribution led to the

development of a new theoretical perspective that looks at the internationalisation process from an entrepreneurial perspective called *International Entrepreneurship* (IE).

The next section looks at the reasons along with some influential theories that contributed to the emergence and development of the international entrepreneurship theory.

2.4 The rise of the BGs

The rapid change in market competitive and economic dynamics contributed to the emergence of new types of firms that did not follow the traditional patterns of internationalisation as predicted by stage theories. The rise of these SMEs' internationalisation depicted entirely new conceptualisations to those of MNEs.

Economic based approaches were preoccupied with macro level factors and the MNE internationalisation, ignoring the other types of firms such as SMEs. As such, these theories assumed that firms become international long after their formation, and in so doing overlooked actions of the entrepreneurs and social networks (McDougall, Shane, & Oviatt, 1994).

The stage models failed to explain multiple entry modes and why some firms skipped these stages (Turnbull, 1987). Unlike the popular conception that firms need access to a large resource pool and stable, homogenous market conditions to skip the stages, INV started operating in multiple countries and in volatile markets (Oviatt & McDougall, 1994).

These highly entrepreneurial firms exhibit several unique characteristics. First, from the outset they are driven by a desire to gain first mover advantage from the

application of knowledge-based resources in international markets (Knight & Cavusgil, 1996, 2004). Second, BGs' rapid internationalisation process and use of multiple entry modes defy the theoretical conceptualisation of stage models (Oviatt & McDougall, 1994). Third, BGs are niche-focused, but consider the world as their marketplace without giving priority to physically/psychically closed markets (Bell, 1995; Madsen & Servais, 1997; Rennie, 1993). Fourth, BGs, having a high level of international managerial experience, produce high value-added products and services and make greater use of personal and business networks to achieve faster global market reach and gain access to unique resources (Chetty & Cambell-Hunt, 2003; Mika Gabrielsson & Kirpalani, 2004; Loane & Bell, 2006; McDougall & Oviatt, 1996; Sharma & Blomstermo, 2003).

2.5 The early days of IE theory

According to Zahra and George (2002), it was Morrow (1998) who came up with the term 'international entrepreneurship'. The first empirical efforts in the area of IE came from McDougall's (1989) work which found significant differences between new venture firms competing domestically and new ventures choosing to also enter international markets.

McDougall and Oviatt's (2000) definition can be considered as the first formal definition of the IE field: "... a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organizations" (p. 903). However, the merging of entrepreneurship theory with IE emerged from the work of Zahra and George (2002). They introduced the notion of opportunity discovery and exploitation into the IE domain, a development that has since been recognised as a critical element in the field (Butler, Doktor, & Lins,

2010; Chandra, Styles, & Wilkinson, 2009; Freeman & Cavusgil, 2007; Johanson & Vahlne, 2009).

The definitions suggested by Jones and Coviello (2005) and Styles and Seymour (2006) hold great promise as a basis for IE theory building. Together, these two definitions focus on three critical components of IE theory, i.e., creation and exchange of value, assembling unique resources and, identification and exploitation of opportunities. These definitions broaden the focus of IE theory to include all types of firms (born-again global, traditional, mature, and young). Also this perspective enables us to look at the pre founding stage of the firm, which is now considered as an important aspect of understanding the internationalisation process of the firm (Evald, Klyver, & Christensen, 2011; Prashantham & Dhanaraj, 2010; Rialp-Criado, Galván-Sánchez, & Suárez-Ortega, 2010).

Table 2.1 sets out the chronology of IE definitions. It also shows the changes that have taken place over a decade of scholarly contributions to the field.

Table 2.1 IE definitions

Author/s	Focus	Definition
Oviatt and McDougall (1994)	BG*	A business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries.
Knight and Cavusgil (1996)	BG	Companies that operate in international markets from the earliest days of their establishment.
McDougall and Oviatt (2000)	IE**	Combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations.
Zahra and George (2002)	IE	The process of creatively discovering and exploiting opportunities, which lie outside a firm's domestic markets, in the pursuit of competitive advantage.
Dimitratos and Plakoyiannaki (2003)	IE	An organisation-wide process which is embedded in the organisational culture of the firm and which seeks through the exploitation of opportunities in the international marketplace to generate value.
Knight and Cavusgil (2004)	BG	Business organisations that from or near their founding seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries.
Fletcher, (2004)	IE	The creative enactment and envisioning of future scenarios and opportunities for service/product/organisational transformation that are socially constructed and realised through joint cross-border coordination.
Oviatt and McDougall (2005)	IE	The discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services.
Jones and Coviello (2005)	IE	The behavioural processes associated with the creation of value by assembling a unique package of resources to exploit an opportunity.
Mtigwe, (2006)	IE	A courageous managerial value creation process through which an individual engages in innovative, proactive, calculated risk-taking behaviour designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and nonfinancial rewards.
Styles and Seymour (2006)	IE	Behavioural processes associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders.

BG*: Born Global; IE**: International Entrepreneurship

IE research is found in every part of the world. After reviewing 291 journal articles published between 1993 and 2012 inclusive, Peiris, Akoorie, and Sinha (2012) found that studies emanating from the European region had the highest representation (53%), followed by Oceania (15%), North America (13%), East Asia (11%), the Middle East (3%), South Asia (2%), East Asia (2%), Africa (2%) and South America (2%). As an emerging economy, China (8 articles) is beginning to attract attention from researchers. However, little attention has been paid to other emerging BRIC countries such as India (2), Brazil (1), and other developing country markets; in particular, research on agriculture-based traditional exporters in Asian countries is negligible.

The predominant industry focus for IE studies has been manufacturing (147 papers) (Peiris, et al., 2012). An increasing number of studies have focused on high-tech manufacturing (49) and ICT sectors (17). Other sectors of interest were services (5), trading (3), and agriculture (3).

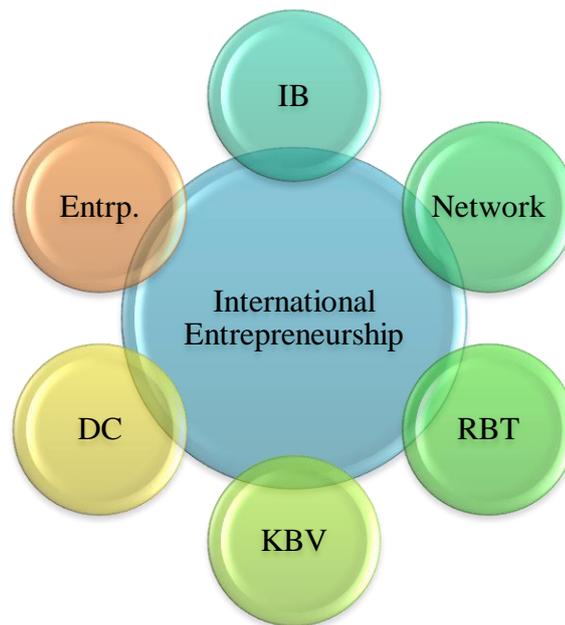
2.6 Toward a theory of International Entrepreneurship

The rapid growth of IE literature over the last two decades has added an impressive volume of research on international entrepreneurial ventures using different but overlapping concepts (Peiris, et al., 2012). With the objective of consolidating the theoretical and terminology differences, this study perceives *Born Global* (BG) (Knight & Cavusgil, 1996; Madsen & Servais, 1997; Rennie, 1993), *International New Ventures* (INV) (Oviatt & McDougall, 1994), *Instant Exporters* (McAuley, 1999), *Born-again Global* (Bell, McNaughton, & Young, 2001), *Born International* (Kundu & Katz, 2003), *New Entrepreneurial Ventures* (Brettel, Engelen, & Heinemann, 2009), *Global Smaller Firm* (Dimitratos, Plakoyiannaki, Pitsoulaki, &

Tüselmann, 2010), and *Early Internationalizing Firms* (Rialp, Rialp, & Knight, 2005) as a subset of IE theory.

IE research draws on multiple theoretical perspectives to examine the phenomenon of entrepreneurial internationalisation. See Figure 2.1 for a graphic illustration.

Figure 2.1 The dominant theoretical influences on the IE domain



(IB: International Business; RBT: Resource Based Theory; KBV: Knowledge Based View; DC: Dynamic Capabilities; and Entrp: Entrepreneurship Theory).

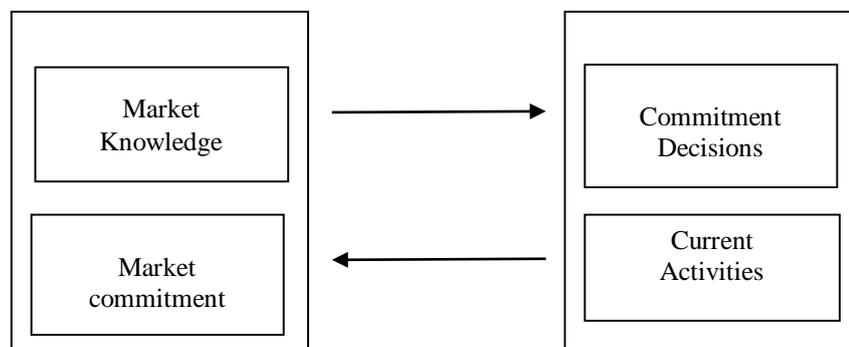
The next section focuses on some of the theories that have contributed to the development of IE studies to date, and their influences and shortcomings. The section starts with the Uppsala internationalisation model and extends the discussion to include network theory, resource-based theory (RBT), knowledge-based view (KBV), the dynamic capabilities perspective (DC), and entrepreneurship theory.

2.7 Uppsala Internationalisation Model

Based on the theoretical explanation of the behavioural theory of the firm, Johanson and Vahlne (1977) identified the internationalisation process as a series of incremental decisions.

The Uppsala model deals with knowledge acquisition, i.e., with learning. How organisations learn and how their learning affects their investment behaviour are the central issues for the model (Forsgren, 2002). Penrose (1966) classifies two types of knowledge: objective knowledge, which can be taught, and experiential knowledge that can only be learned through experience. Here, Johanson and Vahlne (1977) consider experiential knowledge as the critical knowledge set in their model, since it must be gained successively during the operations in the international markets. Figure 2.2 illustrates the initial model developed by these two scholars.

Figure 2.2 Uppsala model of internationalisation



Source: Johanson and Vahlne (1977, p. 26)

According to Forsgren (2002), the Uppsala model is based on the following assumptions: lack of knowledge about the foreign markets acting as a major obstacle to international operations; and, decisions and implementation concerning foreign investments being made incrementally due to market uncertainty. As such, perceived risk is primarily a function of the level of market knowledge acquired

through one's own operations. Hence, the accumulated knowledge is tacit and dependent on individuals making that knowledge difficult to transfer to other individuals and contexts. The model also uses the concept of psychic distance, which is the distance between the home market and a foreign market in terms of culture, languages, and business practices. The model states that firms initially operate in markets where psychic distance is low and then gradually penetrate into markets that are more distant.

Johanson and Vahlne (1990) attempted to extend the explanatory power of their model using the theoretical underpinnings of the Eclectic Paradigm and Industrial Networks. Later, they recommended the integration of stage models and network-based models and highlighted the importance of 'opportunity development' as an outcome of commitment (Johanson & Vahlne, 2006). The latest revision to their model was introduced in 2009 (Johanson & Vahlne, 2009). This time they added opportunity recognition to the 'knowledge' concept, stating that opportunities are the most important element of the body of knowledge that drives the internationalisation process. They posit that specific levels of knowledge, trust, and commitment may be unevenly distributed among the parties involved, and hence these factors may differ in how they promote successful internationalisation.

Limitations of stage theories

The popularity of these models has also attracted criticisms, due to their inability to explain the more dynamic issues in the internationalisation process. For example, Turnbull and Valla (1986) found that firms do not necessarily follow any consistent pattern when they expand into foreign countries. Turnbull (1987), in his study of British firms, found that companies use a combination of organisational approaches in a single market, companies going backwards in the stage process, and having

different commitment levels even after reaching higher levels in the stage of development. McDougall et al. (1994), after conducting a research study on INV, stated that none of the firms followed the traditional stages of development in expanding their markets, and considered the concept of psychic distance. Forsgren (2002), after critically analysing the Uppsala model, concluded that the model does not explain the complexities of learning, but rather that it deals primarily with experiential learning ignoring other ways of learning such as imitating, through networks, acquiring other organisations, hiring new people, and by focused search.

The Uppsala model employs a reactive learning approach rather than a proactive one; hence, it provides only limited explanation to the internationalisation behaviour of the firm. As such, the process is not goal driven, and it ignores the role of strategic behaviour of decision makers who make market specific decisions despite a lack of full knowledge about the situation.

2.8 Network approaches to internationalisation

Another major stream of work that emerged from international industrial marketing focuses on interactions, relationships, and networks (Bell & Young, 1998). This approach postulates that the interconnectedness of exchange relationships, which are based on trust, commitment and mutual knowledge evolving in a dynamic and less structured manner, drive the internationalisation process of the firm (Blankenburg & Johanson, 1992; Johanson & Mattsson, 1988; Turnbull & Valla, 1986). These business relationships comprise customers, a customer's customers, competitors, supplementary suppliers, suppliers, distributors, agents, and consultants, as well as regulatory and other public agencies. The network perspective offers a multilateral view of internationalisation rather than a unilateral

view (Johanson & Vahlne, 1990). The basic assumption of this model is that enterprises gain knowledge by depending on one another in order to do business.

According to Johanson and Mattsson (1992), internationalisation through networks can be done in a number of ways: 1) international *extension* or foreign market entry through new development of networks; 2) international *penetration* through developing further positions in already established networks; and, 3) international *integration* through increasing coordination between positions in different country-based networks.

This approach emphasises gradual learning and the development of market knowledge through the interaction of networks. This interaction could occur through cooperation and competition among the firms in the network (Ruzzier, et al., 2006).

According to Zain and Ng (2006), network relationships have proven to be an effective way to successfully penetrate international markets. Turnbull, Ford, and Cunningham (1996) point out those network relationships give access to the resources embedded in the networks, and enable companies to build their reputation, based on the experience of other network members. They also posit that network relationships both facilitate and restrict the freedom of action of a company. Chetty and Holm (2000) have identified that the influence of the firm and the decision maker is of paramount importance in taking advantage of network initiatives in the internationalisation process.

The influence of networks has been researched extensively in the internalisation literature. The impact of networks has mainly been viewed as a trigger for the internationalisation decision, as a way to gain access to local market knowledge and

resources, as a means to obtain credibility, and as mode selection (Coviello, 2006; Coviello & Munro, 1995, 1997; Ellis, 2000; Jones, 1999; Nahapiet & Ghoshal, 1998).

Focusing on transaction cost economics, Kiss and Danis (2010) link social networks into rapid internationalisation of the firm. They also posit that both strong and weak ties influence, at different levels, the firm's transition period. More support for this conceptualisation emerged in a study conducted by Musteen, Francis, & Datta, (2010). They studied 155 Czech SMEs in the manufacturing sector and found weak ties (Granovetter, 1973, 1983) (lower levels ties of time, emotional intensity, mutual confiding, and reciprocal services) were more capable of introducing new foreign opportunities than strong ties were (for example, through close friends). The positive impact of weak ties in opportunity identification and in supporting the internationalisation process has gained much support in the literature (Chandra, et al., 2009; Sharma & Blomstermo, 2003). In general, social networks provide entrepreneurs with privileged access to pools of valuable exchange opportunities: i.e., reducing risk, providing a basis for establishing partnerships, and leveraging competitive advantage (Coviello, 2006; Freeman, et al., 2010; Mort & Weerawardena, 2006). Managerial ties (customers, suppliers, competitors) are also capable of providing unique resources, and support learning, skill development, and procedures that help build firm capabilities (Lu, Zhou, Bruton, & Li, 2010). Network diversity and embeddedness also support radical internationalisation and help the firm secure "insider" status in overseas markets (Fletcher, 2008).

Limitations of the network approach

The network model is similar to the Uppsala model in the sense that it emphasises knowledge development. Both models assume knowledge development is a gradual

process and starts from the domestic market. The network approach does not explicitly consider the strategic position and influence of individuals, especially entrepreneurs, in SME internationalisation. Despite these shortcomings, the network theory can shed light on how the resources, activities and actors within networks affect the different dimensions of the internationalisation process (Ruzzier, et al., 2006).

However, our knowledge is still limited in terms of how certain network attributes are more beneficial than others in the exploration and exploitation of early international activities, and what type of capabilities we need to utilise these resources for value generating activities (Fletcher, 2008; Musteen, et al., 2010). Very few studies have examined network dynamics from the perspectives of a developing country, and transition economies (Manolova, Manev, & Gyoshev, 2010; Peiris, et al., 2012; Prashantham & Dhanaraj, 2010; Zain & Ng, 2006).

The network approach has also been criticised for its lack of predictive power, since networks are seen as ways to overcome resource deficiencies rather than as the actual drivers of internationalisation (Loane & Bell, 2006). This view highlights the importance of integrating the network perspective with other theories supportive of the internationalisation process. The network approach plays an integral part in internationalisation theory by enhancing the understanding of the process (Coviello & Munro, 1997), but, as a single theory, it is not capable of explaining the internationalisation process in its entirety. As such, scholars advocate the integration of multiple theoretical perspectives to better understand the dynamic process of firm internationalisation (Casillas, et al., 2009; Coviello & McAuley, 1999; Dimitratos & Jones, 2005; Fletcher, 2001; Ireland, Hitt, & Sirmon, 2003; Peiris, et al., 2012). The Social Capital (SC) theory which appeared as a recent

phenomenon in IE research facilitates this integration with other theories such as RBT, KBV, and IB. It highlights the value of network relationship as a single resource that is available to individuals for assimilating and creating new knowledge and capabilities.

The next section looks at the SC capital and its relevance to IE research in more detail.

2.9 Social capital

The emergence of the Social Capital (SC) research can be traced back to the seminal work of Coleman (1988) who compared other forms of capital such as physical and human capital and identified SC as a productive, specific, and valuable resource. The source of the SC lies in the social structure in which an individual is located. As such it “is the resources available to actors as a function of their location in the structure of their social relations” (Adler & Kwon, 2002, p. 18). Bourdieu (1986) views SC as the source of a resource that accrues to an individual or a group as a result of durable network connections (i.e., institutionalised relationships) with mutual acquaintance and recognition.

Burt (1992, 1997) holds a different view and suggests that, whilst human capital is about individual ability, SC refers to opportunity. The opportunity is created because of an individual’s particular location or position in the social structure. He uses the concept of the/a ‘structural hole’ (which can be generalised as weak ties where bridging happens with two earlier unconnected nodes) to argue that SC acts as a function of brokerage opportunities in a network. Burt (1992, 1997) suggests that such networks provide valuable information, and with the right timing (before that information becomes available to other people without such contacts). This is

an interesting argument as it provides an answer to the question that entrepreneurship scholars ask as to why some entrepreneurs identify more opportunities than others do.

SC is a sticky resource, an asset in which other resources can be invested; it can be used for different purposes and can act as a substitute or a complement to other resources. SC needs to be maintained, but it does not depreciate with use; rather it grows and develops with appropriate use (Adler & Kwon, 2002; Coleman, 1988). In essence, SC is about the value of connections that are capable of a multitude of outcomes such as power, leadership, mobility, individual performance, individual creativity, entrepreneurship, and team performance (Borgatti & Foster, 2003).

The central proposition of SC theory is that networks of relationships constitute a valuable resource for the conduct of social affairs where people gain privileged access to information and opportunities (Nahapiet & Ghoshal, 1998).

SC is the link that connects external resources embedded in the networks to firm level resources, especially the intangible resource 'knowledge'. Nahapiet and Ghoshal (1998) define SC as the "sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit" (p. 243).

Tsai and Ghoshal (1998) provide support for SC as a value-creating resource from both the dyadic and business unit levels. They found social interaction, trustworthiness (highly significant with the other two dimensions), and shared vision have significant effects on resource exchange and combination. In turn, resource exchange and combination are positively associated with product

innovation, implying that investing in the creation of SC inside the firm eventually creates value for the firm.

In essence, network relationships provide vital intangible and tangible resources that can assist in identifying strategic opportunities for the firm. However, the network resources are distinct and not embedded within the firm boundaries (Gulati, 1999). As such, the network perspective rejects the view of firms as autonomous entities; rather, it asserts that firms are embedded in a web of social, professional, and exchange relationships (Gulati, Nohria, & Zaheer, 2002). This contention augments the Resource Based approach that focuses on the firm's internal resources and capabilities, and links the external inimitable value-generating resources generated through network relationships to the firm's competitive advantage (Gulati, et al., 2002).

2.9.1 SC's influence on IE research

SC's role as a value-adding resource in the IE domain was first highlighted in the seminal work of Yli-Renko, Autio, and Tontti (2002). They distinguished two types of SC: Internal (extent and quality of relationships between individuals and units within a given firm) and External SC (that resides in exchange relationships between firms and individuals representing these). Their study found a positive effect of internal and external SC on accumulation of knowledge, resulting in greater knowledge intensity. As such, they perceive SC as a resource that can and should be actively managed and harnessed, not as something that accrues over time as a by-product of the firm's activities.

Jones and Coviello (2005) in their model of entrepreneurial internationalisation refer to SC (where the main focus is the entrepreneur's proprietary network

relationship) as an influencing variable in the internationalisation process. Sasi and Arenius (2008) found INV firms gained access to and mobilised resources using the relationships (social capital) of the founders or of the entrepreneurial team instead of networks connections of the firm. Coviello's (2006) work provides strong support for SC's linear relationship with internationalisation and growth of new international ventures.

The scholars mentioned above have so far discussed the potential benefits of SC, while overlooking the potential liabilities it brings to the firm. This gap was first addressed by Chetty and Agndal (2007). They identified three roles of SC with particular reference to mode change, namely: *efficacy role* (usefulness of the firm's SC-value of relational assets, such as knowledge, information, and access to resources); *serendipity role* (unexpected events arising from a SC), and *liability role* (where mode change is triggered as a result of high cost and amount of time required to monitor and sustain SC). Based on the data collected from 20 SMEs they conclude that all three roles influenced mode change decisions of SMEs. More recently Light and Dana (2013) suggests that social capital promotes entrepreneurship only when there is business supportive cultural capital. Table 2.2 summarises the impact of SC in IE research.

Table 2.2 Impact of social capital in IE research

Impact of SC	Description	Type/country	Source
Value creation (product innovation),	SC facilitates value creation both at the dyadic and business unit levels. Social interaction, trustworthiness, and shared vision had shown significant effects on resource exchange and combination leading to product innovation.	Empirical (USA)	Tsai and Ghoshal (1998)
Value-creating resource	SC is considered as a value-creating resource due to its lasting inter- and intra-firm relationships.	Conceptual	Ireland et al. (2003)
International sales growth	International and external SC is positively related to knowledge intensity (accumulation of primarily technological learning) and external SC (managerial contacts), having a positive impact on foreign market knowledge of technology intensive firms. Together, knowledge intensity and foreign market knowledge have a positive relationship with international market growth.	Empirical (Finland)	Yli-Renko et al. (2002)
	SC is an important determinant of entrepreneurial orientation, resource acquisition, and growth.	Empirical (Bulgaria)	Manolova et al. (2010)
Facilitation of dynamic capabilities	SC facilitates resource acquisition through social and personal ties. It supports knowledge integration and releases and recombines resources of the firm.	Conceptual	Blyler and Coff (2003)
Internationalisation behaviour	Firm-specific internationalisation behaviour is potentially influenced by the entrepreneur's unique combination of philosophic views, social capital, and human capital.	Conceptual	Jones and Coviello (2005)
	SC increases as the international new ventures evolve from conception through to internationalisation and growth	Empirical (New Zealand)	Coviello (2006); Coviello and Cox (2006)
	SC creates new opportunities in international markets, and supports information and resource acquisition. SC is also seen as playing a serendipitous role in creating unexpected opportunities for mode change. SC can also	Empirical (Sweden, New Zealand)	Chetty and Agndal (2007)

Impact of SC	Description	Type/country	Source
	become a liability due to lack of commitment from partners, opportunistic behaviour and cost of changing inefficient partners.		
	Structural (network diversity) and cognitive (shared language) aspects facilitated accelerated international expansion. Accelerated expansion into foreign markets can be positive or negative depending on the capabilities that firms develop during the initial stages of internationalisation.	Empirical (Czech)	Musteen et al. (2010)
Exploratory innovation	Bridging SC (goodwill and resources arising from non-redundant network relationship with dissimilar actors) could facilitate exploratory innovation in entrepreneurial internationalisation of new ventures.	Conceptual	Prashantham (2008)
Opportunity identification	Social networks provide exclusive access to information and valuable exchange opportunities in international markets. But the boundaries of the social networks have geographical limitations, though these could be expanded with deliberate effort.	Empirical (China)	Ellis (2011)
	SC is an important determinant of entrepreneurial orientation, resource acquisition, and opportunity identification for growth.	Empirical (Bulgaria)	Manolova et al. (2010)
Knowledge creation	Developing networks in foreign markets helps firms to identify access, share, and integrate knowledge in ways that lead to knowledge creation.	Empirical (Sweden)	Tolstoy (2010)
	Family firms that have diverse relationships with external stakeholders (organisational social capital (OSC)) are capable of creating radically new knowledge and OSC can become an important tangible resource.	Empirical (USA)	Zahra (2010)
Entrepreneurial behaviour	Strong social capital will not encourage entrepreneurship in group members, if a group's cultural capital does not support and endorse selection of entrepreneurship as a vocation.	Empirical (Alaska)	Light and Dana (2013)

2.10 Resource-based theory

The resource-based view (RBV) has become one of the most influential and cited theories in the history of management theorising (Kraaijenbrink, Spender, & Groen, 2010). The earliest theoretical contribution to the resource-based view emerged from the work of Wernerfelt (1984) who attempted to develop a theory of competitive advantage based on the resources a firm develops or acquires to implement a product market strategy. He stated that “firm resources and products are two sides of the same coin” (p. 171). Wernerfelt’s (1984) argument was grounded in economic theory and tried to complement Porter’s theory (1980) of competitive advantage (Barney & Clark, 2007).

Rumelt (1984) defined firms as bundles of productive resources and suggested that the economic value of these resources will vary depending on the context within which they are applied. However, this work did not come to the fore until Barney (1986) presented the resource-based view with a robust theoretical foundation.

The seminal work of Barney (1986) shifted the thinking from the product market positions of firms to attributes of the resources a firm controls. The resource-based view is currently called resource-based theory (RBT) (Barney & Clark, 2007; Barney, Ketchen, & Wright, 2011). Its central proposition is that, if a firm is to achieve a state of Sustainable Competitive Advantage (SCA), it must acquire and control: 1) valuable (V) resources (enabling the firm to conceive or implement strategies that improve its efficiency and effectiveness), 2) rare (R) resources that are inimitable (I) (due to the unique history of the firm, casual ambiguity and social complexity), and, 3) non substitutable resources and capabilities, while, 4) also having the organisation (O) in place to absorb and apply them (Barney, 1991, 1996,

2001b; Barney & Clark, 2007). The theory assumes that firms within an industry may be heterogeneous with respect to the strategic resources they control and that these resources may not be perfectly mobile across firms (Barney, 1991).

Types of resources

At the early stages of the resource-based theory's development, no effort was made to distinguish the type of resources: both tangible and intangible assets were simply called "resources" (Wernerfelt, 1984). Barney (1991) categorised firm resources into three categories: physical capital (assets, location, technology, access to raw materials); human capital (training, experience, judgement, intelligence, relationships and insights); and, organisational capital (structure, planning, and controlling). Subsequently, a fourth resource category – financial capital (debt, equity, retained earnings) was added to the list, and organisational capital resources were extended to incorporate the culture, reputation in the marketplace, and informal networks of the organisation (Barney & Clark, 2007).

Defending the validity of the RBV

The RBV became popular among strategic management scholars and became a strong contender to other industrial organisation theories such as the neoclassical theory of perfect competition, Bain-type IO, the Schumpeterian and Chicago responses, and transaction cost economics (Conner, 1991). However, the popularity of the RBV also attracted much criticism as, in the course of its development to the current position, it says nothing about the location specificity of assets. Priem and Butler (2001) when critically evaluating the conceptual underpinnings of the RBV put forward some challenging views to test the validity of RBV as a fully-fledged theory in strategic management. They state that RBV is focused on the internal

resources and ignores the demand side or the consumer preferences in changing the value of resources, thus making this fundamental aspect of value exogenous to the RBV.

The bundle of resources that RBV is referring to includes virtually all kinds of tangible and intangible resources. These knowledge resources, specifically the tacit knowledge that is also unknown to the knowledge holder, may create difficulties for practitioners when attempting to measure it effectively. This all-inclusive definition of resources makes it more difficult to establish contextual and prescriptive boundaries. Furthermore, static, cross-sectional approaches to RBV development may result in causal *hows* and *whys* remaining in a black box (Priem & Butler, 2001). There has also been much debate about the dependency variable of RBT (Foss & Knudsen, 2003), variously identified as ‘competitive advantage’, ‘sustained competitive advantage’, and ‘economic value’.

In replying to these challenges, Barney (2001a) defends his views in his 1991 article by accepting that he should have given more weight to parameterising the question of ‘value’ and how value is related to market, and adapting a simpler definition of resources (i.e., resources are the tangible and intangible assets a firm uses to choose and implement its strategies). Makadok (2002), in support of Barney, clarifies the definition of ‘value’, and states that RBV focuses on the ‘captured value’ that is, according to Bowman and Ambrosini (2000), the firm’s ‘profitability’.

Competitive advantage

In defining the dependent variables, Peteraf and Barney (2003) argue that RBV is at once a theory of sustainable competitive advantage and a theory of rents. They provide the following definition for competitive advantage, a definition that is

consistent with the earlier definitions of competitive advantage provided by Barney (1986, 1991) and Porter (1985).

“An enterprise has a *Competitive Advantage* if it is able to create more economic value than the marginal (breakeven) competitor in its product market” (Peteraf & Barney, 2003, p. 314).

In line with this definition, they define the “economic value” as follows:

“The economic value created by an enterprise in the course of providing goods or services is the difference between the perceived benefits gained by the purchasers of the good and the economic cost to the enterprise” (Peteraf & Barney, 2003, p. 314).

According to Peteraf and Barney (2003), there are four notable aspects of these definitions. *First*, there is a net benefit approach to value creation, i.e., the benefits produced by a firm after considering the net of their costs. *Second*, value is expressed in terms of the difference between perceived benefit, or customer willingness-to-pay, and the economic costs. The definitions support the notion that the value an enterprise creates has the potential to enhance the welfare of all of its stakeholders. *Third*, being consistent with the notion of how value is created, the definitions focus on the consumer perception, i.e., perceived benefits rather than any absolute notion of quality differentials. *Fourth*, greater value implies greater efficiency. In essence, RBV is fundamentally a firm-level, efficiency-oriented analytical tool. However, the link between resources and the strategies a firm should pursue will not be so obvious. Therefore, in identifying a strategy that is consistent with the resources a firm controls is a creative entrepreneurial act (Barney, 2001a).

The addition of entrepreneurial actions can augment the RBV in many ways. Entrepreneurial actions are about creating new resources or combining existing resources in new ways that result in wealth creation (Ireland, Hitt, Camp, & Sexton, 2001). Therefore, resource heterogeneity is a common attribute of both resource-based and entrepreneurship theory (Alvarez & Barney, 2002).

2.10.1 The influence of RBT on IE research

International business scholars have also incorporated the RBT in explaining the internationalisation process of the firm. With the introduction of INVs (Oviatt & McDougall, 1994), IE scholars have looked at various resources that influence the internationalisation path and the performance of internationalised firms.

RBT's influence in IE is critical to the future development of the field. However, it is evident that scholars have used RBT to ground their variables to explain the internationalisation process, paying little or no attention to how these resources come into existence and the process of resource development for sustainable competitive advantage. Table 2.3 presents a summary of different types of resources that IE researchers have so far looked at using RBT as their main theoretical foundation.

Table 2.3 Types of resources identified in IE research

Resource	Relevance to IE	Type/ Country	Authors
Knowledge	Making knowledge unique, valuable, and rare by protecting imitability through patents and copyrights, unique management style, organisational culture, and network governance	Conceptual	Oviatt and McDougall (1994)
	Knowledge is used here to refer to the capacity of the firm to apprehend and use relationships among informational factors to achieve intended ends. Knowledge leads to development culture (EO & MO) and strategy-specific capabilities (technology, quality, differentiation, distributor competence).	Empirical (USA)	Knight and Cavusgil (2004); Knight and Kim (2009)
	Entrepreneurial orientation (EO) and market orientation (MO) also play critical roles in the international business competence construct.	Empirical (China)	Zhang et al. (2009)
Network, knowledge and background	Entrepreneurs see opportunities that others do not see because of the competencies (networks, knowledge, and background) that are unique to them.	Empirical (Various)	McDougall et al. (1994)
Top management, international exposure, strategy and size	Study suggests greater international work experience among top managers, pursuit of product differentiation, and larger firm size are strongly associated with greater internationalisation of new high-potential ventures in the U.S.	Empirical (USA)	Bloodgood, Sapienza and Almeida (1996)
Capabilities and TMT experience	It is not the breadth or quantity of resources or the size of the firm but the types of resources available to the firm that determine a firm's competitive patterns, competitive action, and export performance. Contingent upon their resources, firms are able to circumvent the stepwise approach and follow a different path to internationalisation.	Empirical (USA)	Wolff and Pett (2000)

Resource	Relevance to IE	Type/ Country	Authors
Entrepreneurs' human capital	Management know-how and specific industry know-how were considered as strong predictors of propensity to export.	Empirical (UK)	Westhead, Wright, and Ucbasaran (2001)
Market knowledge, market commitment, and market involvement	Market knowledge is a resource embedded in human capital. Market commitment refers to the amount of resources committed to exchange relationships and psychological orientation (attitudes intentions), and market involvement refers to performance structural and attitudinal involvement of the firm to international activities.	Empirical (Australia)	Lamb and Liesch (2002)
Organisational resources, entrepreneurial resources, technological resources	Organisational resources (financial and physical), entrepreneurial resources (risk and drive of the managers), technological resources (tangible and intangible technical assets).	Empirical (USA and Canada)	Dhanaraj and Beamish (2003)
	Networks are viewed as just one of the many strands of a firm's knowledge and resource bundles that build towards specific advantage.	Empirical (Australia, Canada, Ireland, New Zealand)	Coviello and Cox (2006); Loane and Bell (2006)
Networks	Resource limitations prompt firms to seek out resources available in their networks and combine these resources to exploit opportunities to enter new markets and to sell new products in existing markets.		Tolstoy and Agndal (2010)

Resource	Relevance to IE	Type/ Country	Authors
Intangible resources and firm capabilities	Intangible resources (people dependent-human capital, and people independent intangible resources, organisational capital, technological capital, and relational capital) capabilities encompass complex interactions of individuals, groups, and organisational routines through which all the firm's resources are coordinated.	Empirical (Spain)	Rialp and Rialp (2007)
Institutional capital and managerial ties	Study examined the mediating influence of two firm-specific capabilities – information acquisition capability and adaptive capability – on the relationship between such resources of institutional capital and managerial ties, and international performance. Findings reveal adaptive capability plays a partially mediating role, acting as a significant intermediate variable between resources.	Empirical (China)	Lu et al. (2010)

However, many researchers have emphasised the great importance of intangible resources, often referred to as ‘knowledge’. As such, knowledge is considered as the only meaningful resource (Drucker, 1993) and important source of a firm’s sustainable competitive advantage (Grant, 1996; Kogut & Zander, 1992, 1993; Nahapiet & Ghoshal, 1998; Nonaka, 1994; Nonaka & Toyama, 2002; Nonaka, Toyama, & Nagata, 2000; Spender, 1996). Knowledge is also considered a key resource in international growth (Yli-Renko, et al., 2002).

These developments paved the way for the emergence of a new theoretical perspective, called the knowledge-based view (KBV), which considers organisations as social communities in which individual and social expertise are transformed into economically useful products and services by applying higher order organising principles (Kogut & Zander, 1992, 1993; Nonaka, 1994).

2.11 The knowledge-based view of the firm

Knowledge is a highly contentious, multidimensional concept (Spender, 1996), and one which will have diverse meanings in different contexts. Strategic management scholars perceive ‘knowledge’ as a resource capable of creating value for the firm (Grant, 1996). Polanyi’s (1966) much acclaimed work about tacit knowledge – “individuals know more than they can tell” – influenced the knowledge-based view’s ability to emerge as a view distinct from other contemporary management theories. Kogut and Zander (1992) incorporated the tacit dimension into organisational knowledge creation in order to develop a vantage point from which to analyse capabilities and boundaries of firms. For this purpose, they categorise knowledge as information and know-how. Information is considered as “knowledge which can be transmitted without loss of integrity once the syntactical rules required

for deciphering it are known such as facts, axiomatic propositions and symbols” (p. 386). Know-how is the accumulated practical skills or expertise; in simple terms, knowing how to do something. This distinction is depicted in Table 2.4.

Nonaka (1994), extending the work of Polanyi (1966) uses two dimensions similar to those of Kogut and Zander (1992). He affirms that explicit knowledge can be codified and transferred easily and is free of context; tacit knowledge is difficult to communicate, articulate, and share with others. This type of knowledge is accumulated through experience and practical skills, i.e., ‘learning-by-doing’ (Lam, 2000). Nonaka (1994) states that the quality of the tacit knowledge held by the individual are influenced by two factors.

Table 2.4 What knowledge and know-how mean to different entities

	Individual	Group	Organisation	Network
Information	-Facts	-Who knows what	-Profits -Accounting data -Formal and informal structure	-Prices -Who to contact -Who has what
Know-how	-Skill of how to communicate -Problem solving	-Recipes of organising such as craft production	-Higher order organising principles of how to coordinate groups and transfer knowledge	-How to corporate -How to see and buy

Source: Kogut and Zander (1992, p. 388)

Nonaka terms the ‘variety’ of an individual’s experience and personification of knowledge through deep personal commitment into bodily experience ‘knowledge

experience'. Variety of individual experience is accumulated through engaging in non routine operations. According to Nonaka (1994), "if this experience is limited to routine experience, the amount of tacit knowledge obtained from monotonous and repetitive tasks will tend to decrease over time. Routine tasks mitigate against creative thinking and the formation of new knowledge" (p. 22). He further states that the variety of experiences that an individual is exposed to needs to be related in some way; unrelated experiences will allow little room for integration of experiences to create new perspective. The second factor is related to intentional self-involvement or being immersed in the situation in order to get a 'pure experience' of the situation. Nonaka (1994) uses the example of a dynamic performance given by a master actor on stage.

2.11.1 The influence of KBV on IE research

In regard to international business theories, KBV draws on the work for Buckley and Casson (1976) and Williamson (1975) and considers the differences in knowledge and the embedded capabilities between the creator and the users determining the firm boundary, not market failure (Kogut & Zander, 1993).

IB scholars have considered experiential knowledge as a major determinant to export success and the path of internationalisation (Johanson & Vahlne, 1977; McDougall, et al., 1994). Since the time when the Uppsala model was first developed (Johanson & Vahlne 1977), experiential knowledge has been studied extensively by IE researchers; however, the application of KBV and the organisational learning perspective in IE related studies did not emerge until 2000. KBV in IE is primarily associated with the concept of knowledge intensity (the extent of dependency on the existing knowledge base of the firm) (Autio, Sapienza, & Almeida, 2000). Yli Renko et al. (2002) found a positive relationship between

knowledge intensity and international sales growth. On a similar note, Gassmann and Keupp (2007) suggested the integration of SC theory with KBV in order to understand the basis and realisation of competitive advantage of the BG firm. However, there is limited understanding with regard to the knowledge acquisition process (Peiris, et al., 2012; Weerawardena, et al., 2007), the process of knowledge generation (Freeman et al. 2010), the relationship between knowledge, capabilities, and knowledge types that affect internationalisation (Kuivalainen, Puumalainen, Sintonen, & Kyläheiko, 2010; Mejrj & Umemoto, 2010).

IB scholars have focused primarily on the impact of experiential knowledge or tacit knowledge (see Table 2.5) on the internationalisation process without looking at the knowledge development process and how knowledge is used in identifying opportunities.

Table 2.5 Types of knowledge studied under the IE theme

Authors	Types of knowledge	Knowledge about
Johanson and Vahlne (1977)	General	Marketing methods, customers, production process
	Market specific	Specific national markets, business climate, cultural patterns, market structure and individual customer firms and their personnel
Eriksson, Johanson, Majkgard and Sharma (1997)	Internationalisation	Firm's capability and resources to engage in international operations
	Market (experiential)	Business (clients, the market, and competitors) and institutional (government, institutional framework, rules, norms, and values)
Autio et al. (2000)	Foreign market	International markets and operations
Yli-Renko et al. (2002)	Foreign market	Non experiential foreign markets (customers, partners, distributions channels) (found a positive relationship with international sales growth)
	Market (experiential)	Geographic diversity of foreign markets and entry modes (results indicated that both were not related to international sales growth)

Authors	Types of knowledge	Knowledge about
Blomstermo, Eriksson, Lindstrand and Sharma (2004)	Network (experiential)	Perceived usefulness of having previous experience with customer's customers, supplementary suppliers, and competing suppliers
	Internationalisation (experiential)	Development and adaptation of products, doing business in new markets, and cooperation with other firms
Nordman and Melen (2008)	International	Experiential knowledge about conducting business within an international setting
	Technological	Experiential knowledge about the technology upon which the Born Global firm's product are built
Dib, Rocha, and Silva (2010); Rasmussen, Madsen, and Evangelista (2001)	Technical	Product development and innovation, production process
Mejri and Umemoto (2010)	Market	Foreign markets, market size, the competitors, the regulations
	Experiential	Experiential knowledge includes <i>network knowledge</i> (social and business network; knowledge as the network itself), <i>cultural knowledge</i> (knowledge of language, habits, norms, laws, behaviour), and <i>entrepreneurial knowledge</i> (knowledge of the existence of opportunities and exploiting them).

KBV, IE, and opportunity identification

The stage models failed to explain why entrepreneurial firms enter international markets soon after their inception, since they rely heavily on experiential knowledge of the firm without placing much emphasis on the intensity of knowledge acquisition and impact of both codified and tacit knowledge of the firm. IE theorists argued that it is the unique entrepreneurial knowledge and capabilities that allow firms to identify and exploit opportunities in international markets (Autio, et al., 2000). However, IE theory falls short in explaining how this knowledge and these capabilities contributed to opportunity identification and subsequent behaviour of the firm. As depicted in Table 2.5, IE scholars tried to understand the types of knowledge and their effect on international market operations and product development rather than on opportunity identification *per se*.

Entrepreneurship scholars perceive knowledge as a competency that is important in three ways: 1) any discovery of opportunity is knowledge; 2) knowledge assists in making additional discoveries, and valuations, and fit assessments of opportunities; and, 3) knowledge supports the development of capabilities that support exploitation of opportunities (Markman, 2006).

What then is entrepreneurial knowledge?

Alvarez and Busenitz (2001) define entrepreneurial knowledge as “the ability to take conceptual, abstract information of where and how to obtain undervalued resources, explicit and tacit, and how to deploy and exploit these resources” (p. 762).

However, Kirzner (1974) notes a difference between entrepreneurial knowledge and the knowledge of an expert. For instance, a person endowed with expert knowledge may not fully recognise the value of his or her knowledge or turn it into a value-creating opportunity. The entrepreneur may be endowed with generalised knowledge without having access to such expert knowledge, or may possess some specialised knowledge that will enable him or her to see an opportunity when exposed to the same situation that the expert experienced. This view suggests it is the entrepreneur who recognises the value of the specialist's knowledge and has the ability to organise specialised knowledge for value creation.

Nonetheless, knowledge, however unique and advantageous, has no economic impact unless entrepreneurs have the skills and abilities to use it to create new wealth (Markman, 2006).

The creation of new knowledge by firms leads to the development of organisational capabilities (Knight & Cavusgil, 2004; Nelson & Winter, 1982). RBT emphasised the value of controlling scarce resources to gain economic profits. Extending this perspective, the KBV suggests that knowledge acquisition and learning are fundamental to organisational success. In essence, skill acquisition and learning and accumulation of intangible and tangible assets make the greatest contribution to strategy (Teece, Pisano, & Shuen, 1997). As such, Teece et al. (1997) emphasised that developing a strategy without the capability to effectively coordinate the redeployment of internal and external competencies will not contribute to sustainable competitive advantage. They refer to this ability to achieve new forms of competitive advantage as 'dynamic capabilities'.

2.12 Dynamic capabilities perspective

Drawing on the works of Schumpeter (1934), Penrose (1966), Nelson and Winter (1982), Prahalad and Hamel (1990), Teece (1986a, 1986b), and RBV (Barney, 1991, 1996), the dynamic capabilities (DC) approach focuses on the development of management capabilities and difficult to imitate combinations of organisational, functional, and technological skills.

In order to understand the types of capabilities, Helfat and Peteraf (2003) classify capabilities as either *operational* or *dynamic*. An operational capability generally involves performing an activity, such as manufacturing a particular product, or using a collection of routines to execute and coordinate the variety of tasks required to perform the activity. This is in line with Amit and Shoemaker's (1993) definition of capabilities as the firm's capacity to deploy a combination of resources and processes purposefully to achieve a desired goal; it is often stated as routines or repetitive patterns of task-oriented actions involving multiple actors (Nelson & Winter, 1982). From the DC perspective, the term 'dynamic' refers to the capacity to renew competencies in order to achieve congruence with the changing business environment. The term 'capability' emphasises the key role of strategic management in appropriately building, adapting, integrating, and reconfiguring internal and external organisational skills, resources, and functional competences to match requirements of a changing environment (Teece, et al., 1997).

DCs do not directly affect the output of the firm in which they reside, but they do indirectly contribute to the output of the firm through their impact on operational capabilities (Helfat & Peteraf, 2003). More authors taking the same approach identified two levels of capabilities, that is, discriminating between 'zero-level' capabilities and 'higher-order' capabilities. 'Zero-level' capabilities correspond to

‘ordinary’ capabilities, that is, those that allow a firm to “make a living” in the short term (Winter, 2003, p. 6), or to “substantive capabilities,” abilities and resources that go into solving a problem (operating routines).

Zahra, Sapienza and Davidsson (2006) consider that dynamic capabilities are higher-level capabilities that could change or reconfigure existing substantive capabilities, or operate to change ordinary capabilities.

Teece et al. (1997) defining the ‘competencies’ and ‘core competencies’ of the firm, state the former are about distinctive activities of firms, such as routines and processes, and the later are competencies that are core and distinctive to the firm and its competitors. In summary, dynamic capabilities refer to a firm’s capacity to deploy resources using unique and idiosyncratic processes that emerge from path the dependent histories of the firm in a rapidly changing business environment (Amit & Schoemaker, 1993; Eisenhardt & Martin, 2000).

2.12.1 DC and the role of an entrepreneur

A more recent development of DC perspectives considers the organisational capacity to sense and shape opportunities and threats, and to seize opportunities (Teece, 2007, 2009). This ability is more in line with the entrepreneurial dimensions that focus on identification and exploitation of opportunities (Shane, 2003). Highlighting the work of Kirzner (1973) who stressed that opportunity identification was a result of differential access to existing information, and Schumpeter (1934) who argued that the new information is created due to macro, micro and social environmental changes, entrepreneurs can use this information to figure out how to recombine resources into more valuable forms. Therefore, Kirznerian opportunities reinforce established ways of doing things, whereas

Schumpeterian opportunities disrupt the existing system (Shane, 2003). Teece (2007) emphasises the value of both these perspectives to the concept of organisation level scanning, searching, and exploring of technological and market opportunities. Furthermore, expanding the contextual aspects emphasised that DC is especially relevant to international firms that operate in environments that are open to international commerce, fully exposed to opportunities and threats of technological changes, and where managerial knowledge is poorly developed, and when regulatory or institutional shocks occur. Teece (2007) further emphasises the individual's cognitive and creative aspects in recognising opportunities, and argues this ability depends on the extant knowledge and the capabilities of the individual and the firm.

Zahra, Sapienza, and Davidson (2006), looking at DC from an entrepreneurial perspective, define DC as “as the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)” (p. 918). They emphasise that the motivation, skills, and experience of the entrepreneur or the entrepreneurial team contributes to productively changing the existing routines or resource configurations and to their ability to implement these changes.

Though inspiring, the literatures of IE and organisational capabilities remain largely silent when it comes to the study of capability emergence in entrepreneurial firms and, in particular, how new ventures develop and deploy new capabilities that transcend imported knowledge, skills, experiences, and routines of the entrepreneur or entrepreneurial team that they know from previous roles (Autio, George, & Alexy, 2011).

The past literature provides no definition of entrepreneurial capabilities. The general idea, however, of the capability is the ability to adapt, synthesise, and integrate current and acquired knowledge to reconfigure resources (Knight & Cavusgil, 2004; Kogut & Zander, 1992).

Consistent with the DC perspective, this study defines entrepreneurial capabilities (skills and abilities) as the:

“Capacity to integrate, recombine and deploy resources and knowledge in novel ways to create and exploit value adding opportunities.”

The entrepreneur or the entrepreneurial team’s role in venture creation and growth is well documented in the entrepreneurship literature. However, the entrepreneurial aspect is a recent phenomenon in IE research. Entrepreneurship entered IE literature in early 2000 (Etemad, 2004a), suggesting that it was a key driver of the process of internationalisation. It was Jones and Coviello (2005) and Etemad (2004b) who theorised that the entrepreneur, the firm, and the environment are core concepts in IE theory and this line of thought accentuated the value of capturing entrepreneurial behaviour over time in the cyclic process of internationalisation (Peiris, et al., 2012).

The next section, therefore, looks at entrepreneurship theory, its development, and relevance to IE research.

2.13 Entrepreneurship theory and its relevance to IE

“The entrepreneurial function in society is probably as old as the institutions of barter and exchange” (Hebert & Link, 1982, p. 7). The first obtrusive appearance of the word “entrepreneur” can be traced to the 1734 writings of Richard Cantillon,

an eighteenth century businessman and financier (Hebert & Link, 1982; Hunter, 2007).

Entrepreneurship theory is founded on three influential views that emerged from the domains of economics in the early 1920s. Schumpeter 's (1934) introduction of the entrepreneur as a person who creates new combinations and waves of creative destruction and reconstruction paved the way in building a separate domain for entrepreneurship research (Meyer, Heidi, & Meeks, 2002). Kirzner (1973) explained that errors made by people's decision making, create shortages and surpluses. By responding to these shortages and surpluses, people can obtain resources, recombine them, and sell the output in the hope of making a profit (Shane & Venkataraman, 2000). Another major contribution to entrepreneurship literature came from the work of Knight (1921). Knight differentiated uncertainty from risk and suggested that entrepreneurs have certain capacities to deal with uncertainty effectively. Table 2.6 provides a comparison of these three influential theories of entrepreneurship.

Knight (1921) saw entrepreneurship as a role that assumes risk associated with uncertainty. Knight posited that, unlike uncertainty, risk is calculable. As such, entrepreneurs are rewarded or make profit by bearing this uncertainty. However, it was the work of Kirzner and Schumpeter which contributed to divert the attention of scholars to entrepreneurial opportunities.

Table 2.6 Comparison of three influential theories of entrepreneurship

	Kirznerian	Schumpeterian	Knightian
Main theme	Entrepreneurship as a discovery process	Entrepreneurship as an innovation process	Entrepreneurship as an uncertainty bearing process
Key rationale	Knowledge is distributed in society (Hayek, 1945) and possession of idiosyncratic knowledge allows people/firms to recognise opportunity by discovery. Entrepreneurial alertness is a critical element in the discovery process (Kirzner, 1973; 1997).	The carrying out of new combinations creates the circular flow in the economy. The pursuit of new combinations is influenced by the dream and will to found a private kingdom; the will to conquer; the joy of creation.	The entrepreneurial task is rewarded with the residual income (profit), the reward for bearing uncertainty. Risk is calculable but uncertainty is not.
Main characteristics	Equilibrating Does not require new information Less innovative Common Limited to discovery	Disequilibrating Requires new information Very innovative Rare Involves creation	Risk taking (decisions under uncertainty) Differences of opinion due to differences in information Innovative Exercise of judgement Allocation of resources
Relevant concepts or research to this theory	Opportunity discovery-evaluation-exploitation (Shane & Venkataraman, 2000) Discovery of technological opportunities (Shane, 2000)	Creation of new means-ends framework/relationships (Eckhardt & Shane, 2003) Entrepreneurship as new entry (Lumpkin & Dess, 1996)	Market as creative process in the face of non-existent, hard-to-predict future (Buchanan & Vanberg, 1991) Preference for uncertainty/risk taking (Brockhaus & Horowitz, 1986; Khilstrom & Laffont, 1979)

Source: Adapted from Chandra et al. (2009); Shane (2003); and Van Praag (1999).

Kirzner (1973) added a precise meaning for ‘entrepreneurship’, identifying it as the ‘alertness’ to new opportunities, and also stated that entrepreneurship is a sequence of innovative actions following on from the discovery of such an opportunity (Koppl & Minniti, 2003). Whilst Kirzner provides a theory of equilibrium, where entrepreneurs start exploiting profit opportunities until the competition reduces profit levels to normal levels and equilibrium is restored, Schumpeter advocates market disruption, where entrepreneurs try to disrupt the market by altering the equilibrium prices of resources.

Schumpeter’s (1934) ideas are different from but also complementary to the equilibrium process. Without equilibrating entrepreneurs, Schumpeter cannot explain the existence of the order disrupted by the disequilibrating entrepreneur (Koppl & Minniti, 2003). However, his view emphasised the innovative side of the entrepreneurship which gave his entrepreneur ‘temporary monopoly power’ (Baumol, 1993) by creating a new means-ends relationships.

According to Stevenson and Jarillo (1990), the mainstream entrepreneurship theories outlined above are concerned about the results of the actions of the entrepreneurs. Thus they attempt to answer the question of ‘*what*’ happens when entrepreneurs act, by primarily looking at the entrepreneurial function from an economic perspective. Two more streams are related to entrepreneurship studies. These explore *why* entrepreneurs act (psychological and sociological causes of entrepreneurial actions); and *how* they act (focusing on the entrepreneurial management process to ascertain how entrepreneurs are able to achieve their goals (Stevenson & Jarillo, 1990).

In trying to understand why some individuals exhibit higher accomplishments than others, scholars turned to studying psychological characteristics (creativity, daring,

aggressiveness, desire for independence etc.) and their social roles (need for achievement). The outcome of this stream of investigation emphasised that, while it is individuals who carry out entrepreneurial activities no matter how they are defined, their characteristics (personality, background, and skills) matter, and environmental variables are also relevant.

The third stream focuses on the managerial process, which explains the causes and the results of entrepreneurial success. This line of enquiry expands the view from looking at individual actor capabilities to encompassing the nature of management teams and networks. It also provides insights as to how a new firm organises its activities to be more competitive (Stevenson & Jarillo, 1990). The process perspective of entrepreneurship has significantly advanced the field of entrepreneurship research by identifying factors that constrain, facilitate the process, and the stages involved in it. This research has also helped identify entrepreneurial versus non entrepreneurial companies (Morris, 1998).

These research streams provide a useful base from which to study the field of entrepreneurship. However, entrepreneurship is a broader concept. Over the last 200 years' history of entrepreneurship research, scholars have developed various definitions of entrepreneurship, without adhering to any particular one (Hitt, Ireland, Camp, & Sexton, 2002; Morris, Kuratko, & Covin, 2008). This lack of a consensual definition has been a major obstacle for the development of a conceptual framework in the entrepreneurship field (Shane & Venkataraman, 2000). Table 2.7 summarises the selected definitions of entrepreneurship.

Table 2.7 Selected definitions of entrepreneurship

Author	Definition
Schumpeter (1934)	Entrepreneurship is seen as new combinations including the doing of new things or the doing of things that are being done in a new way. New combinations include (1) introduction of new goods, (2) new method of production, (3) opening of a new market, (4) new source of supply, (5) new organisations.
Kirzner (1973)	Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of opportunity will tend to “correct” the market and bring it back toward equilibrium.
Drucker (1985)	Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth producing capacity.
Stevenson, Roberts and Grousbeck (1985)	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.
Rumelt (1987)	Entrepreneurship is the creation of new business, new business meanings that they do not exactly duplicate existing businesses but have some element of novelty.
Gartner (1988)	Entrepreneurship is the creation of organisations, the process by which new organisations come into existence.
Timmons (1997)	Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced.
Venkataraman (1997); Shane and Venkataraman (2000)	Entrepreneurship is an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organising, markets, processes, and raw materials through organising efforts that previously had not existed.
Morris (1998)	Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organisational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies.
Sharma and Chrisman (1999)	Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that occur within or outside an existing organisation.
Casson (2003)	An entrepreneur is someone who specialises in taking judgmental decisions about the coordination of scarce resources.

Source: Adapted from Meyer, Heidi, and Meeks (2002), Casson (2003), Kuratko and Audretsch (2009).

Kirzner’s definition establishes that entrepreneurship is both ‘alertness’ to new opportunities and the actions following the ‘discovery’ of an opportunity” (Koppl & Minniti, 2003). Since this development, ‘*opportunity*’ has played a central role

in entrepreneurship studies and is identified as the fundamental element in recent developments of entrepreneurship literature; it accentuates entrepreneurship as the nexus of entrepreneurial opportunities and enterprising individuals (Shane, 2003).

This thesis adopts the following definition of entrepreneurship developed by Morris (1998):

Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organizational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets and technologies. (p. 16)

Entrepreneurship does not start with products but with opportunities. As such, this definition recognises the indispensable role played by the entrepreneur or the entrepreneurial team, while also focusing on the process perspective that exploits opportunities. It also identifies the definite inputs and set of possible outcomes that will lead to value creation (Morris 1998).

The next section focuses on opportunity identification and its relation to IE studies.

2.13.1 Opportunity identification, development, and exploitation

“Without opportunity there is no entrepreneurship” (Short, Ketchen, Shook, & Ireland, 2010, p. 40). One common belief about entrepreneurship centred on individual abilities and new venture creation (Gartner, 1990). Opportunity identification, however, has emerged recently as a central theme in entrepreneurship research and for the IE scholars this is still an emerging concept (Chandra, et al., 2009).

The initial conceptualisation of entrepreneurship as a scholarly field that focused on opportunity identification emerged in Venkataraman's (1997) defining of the field to incorporate the opportunity discovery process. According to Drucker (1985), there are three ways for a potential opportunity to emerge: (1) inefficiencies within the existing market due to information asymmetry or technological limitations, (2) significant changes in the social, political, demographic and economic forces, (3) inventions and discoveries. Using Drucker (1985) as a reference point to identify how opportunities come into existence, Venkataraman (1997) suggested that these opportunities exist in objective form and it is the ability of the individual to discover them that is unique, since these opportunities rarely present themselves in neat packages (Shane & Venkataraman, 2000; Venkataraman, 1997).

The research on entrepreneurial opportunities reflects different views and conceptualisations depending on theoretical influences (Murphy, 2010). Studies emanating from a psychological emphasis look at creativity and cognition (Baron, 2004, August, 2006; Gaglio & Katz, 2001; Ko & Butler, 2007), and others derive from organisational learning, and the micro economic aspects of information asymmetry (Casson & Wadeson, 2007; Kirzner, 1997; Shane, 2000). Some common definitions of entrepreneurial opportunity are given in Table 2.8.

Table 2.8 Concept of opportunity in entrepreneurship

Author	Definition
Casson (1982)	Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organising methods can be introduced and sold at greater than their cost of production.
Shane (2003)	A situation in which a person can create a new means-ends framework for recombining resources that the entrepreneur <i>believes</i> will yield a profit.
Eckhardt and Shane (2003)	Situations in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends or means–ends relationships.
Hills and Singh (2004)	A possibility for new profit potential through (a) the founding and formation of a new venture, or (b) the significant improvement of an existing venture.
Short et al. (2010)	An opportunity is an idea or dream that is discovered or created by an entrepreneurial entity and that is revealed through analysis over time to be potentially lucrative.

One common element that emerges from the above definitions is that all the scholars agree that opportunity is a situation where something profitable or beneficial is achieved by means of introducing something of new/superior value. However, one major debate about the nature of opportunity – that is, whether the opportunity exists in the environment and entrepreneurs simply discover it or that entrepreneurs are capable of creating new opportunities which never existed before – became a major and on-going concern in the entrepreneurship literature. In clarifying this debate on whether the opportunities are *discovered* or *created*, Alvarez and Barney (2007), provide some useful distinctions between these two schools of thought.

2.13.2 Are opportunities discovered or created?

The discovery theory of opportunity stems from the realist assumptions that opportunities are objective phenomena that exist independent of the actions or perceptions of the entrepreneurs (Alvarez & Barney, 2007). These are the opportunities, according to Shane (2003), which fall into the Kirznerian (1973) category of opportunities, where the nature these opportunities does not require new information (needing only access to information), are less innovative, common, and limited to discovery. Since these opportunities are recognised largely through a discovery process, it is an idiosyncratic process that involves individual differences (cognitive, risk taking preferences, and information asymmetry (Shane, 2003).

Discovery of opportunity

The discovery perspective emphasises that prior experience and knowledge enable the individual to combine information in new ways to discover new opportunities that could not have been discovered by individuals without this prior knowledge (Alvarez & Barney, 2007). An opportunity discovery can be attributed to two main modes that facilitate this discovery. One is conducting a deliberate search for an opportunity using search tactics and efforts, and the other is through serendipitous discoveries that have an element of surprise (Shane, 2000).

The proponents of the deliberate search approach view opportunity recognition as a rational and a systematic search process that involves careful strategic planning (Drucker, 1985; Timmons, 1990; Vesper, 1996). Fiet (2007) emphasises that entrepreneurs engaged in deliberate search can discover opportunities based on their prior knowledge and narrowing down of known domains. Some scholars attribute the search for opportunities to individual attributes such as superior

information processing ability, and cognitive behaviours (Baron, 2004, August; Shaver & Scott, 1991).

The Austrian economists have challenged this approach and argue that the nature of “opportunity” is that it is unknown until discovered and that one cannot search for something that one does not know exists (Kaish & Gilad, 1991; Kirzner, 1997). Drawing on the Austrian theoretical perspective, Kirzner (1997) distinguishes discovery that involves an element of surprise from deliberate search. He asserts that an individual becomes surprised, when he/she realises that he/she has overlooked (due to ignorance) something that was readily available and failed to produce knowledge in a deliberate sense. Kirzner (1997) takes the view that novel opportunities are discovered without a deliberate search; he identified these opportunities as valuable when encountered because the discoverer possesses a unique preparedness to recognise them and act. Kirzner (1973, 1997) calls this ability ‘entrepreneurial alertness’ and defines it as an attitude of receptiveness to available (but hitherto overlooked) opportunities. This type of entrepreneurial discovery can be seen as a non-deliberate search because it occurs through undirected scanning and takes place at unconventional times and places. Thus it differs from rational search (Kaish & Gilad, 1991). Proponents of this approach also consider knowledge as an important element in recognising opportunities, since without knowledge one cannot recognise these opportunities when encountered (Murphy, 2010).

IE scholars have found international entry to be driven by either opportunities with a high degree of serendipity (Meyer & Skak, 2002) or the positive influence of serendipitous outcomes in international strategy (Crick & Spence, 2005). Accelerated internationalisation is still influenced by serendipitous opportunities

rather than proactive entrepreneurial mind-set (Freeman & Cavusgil, 2007), and international market selection has been identified as unsystematic and originating from unsolicited orders, prior contact, and serendipitous events (Dimitratos, et al., 2010).

Long and McMullan (1984) provide support for both deliberate and serendipitous discovery in combination. They explain that entrepreneurs identify opportunities using both modes, initially by serendipitous encounter, which is then followed by deliberate search. On a similar note, Bhave (1994) categorises these two modes into externally and internally stimulated opportunity development. The former mode is triggered by a decision to start (due to personal and environmental circumstances) a venture and it is then followed by opportunity recognition and opportunity filtration based on the entrepreneur's knowledge, skills, and experience. The latter mode is initiated by a personal need that cannot be fulfilled by the external market. This need is then converted to a widespread business opportunity.

Creation of opportunity

The creation theory closely resembles the work of Schumpeter (1934) who gave prominence to entrepreneurial actions in creating opportunities. Here the opportunities are created endogenously by the entrepreneur through his/her actions, combinative capabilities (Kogut & Zander, 1992), improvisation (Baker & Nelson, 2005), and effectuation (Sarasvathy, 2001) without much involvement in a 'search' process, i.e., the opportunity is created as a seed without necessarily having a prior knowledge of industries or markets (Alvarez & Barney, 2007). Unlike the discovery process of opportunities, the creation process makes opportunities more valuable, heterogeneous, and rare due to the tacit nature of its development (Dierickx & Cool, 1989). The creation perspectives shed light on how firms create value by improving

their resources and capabilities over time to achieve substantial differences in future (Alvarez & Barney, 2007).

According to Shane (2003), these Schumpeterian opportunities emerge as a response to environmental (technological, political and regulatory, social and demographic) changes. Creation of opportunities is a path-dependent process and it emphasises the importance of knowledge and information generated in that process of enacting opportunity (Alvarez & Barney, 2007). Unlike the discovery theory that assumes that entrepreneurs who discover opportunities are significantly different from those who do not discover opportunities, this view leads to some interesting assumptions about the individual differences. The creationist view is that there need not be substantial differences in individual attributes; rather, a very small difference, *ex ante*, is sufficient to form new opportunities (Alvarez & Barney, 2007).

However, it can be inferred from this that a more comprehensive approach would be to consider that some opportunities can be discovered and others can be created by the same individual (Short, et al., 2010) who possesses the capacity, knowledge, and capabilities to do so. Rather, than focusing on the discovery and creation of opportunity, it is far more important to understand how opportunities develop through time.

This is a perspective that could explain why different types of internationalising firms such as BGs and traditional ventures exist in the first place.

2.13.3 Entrepreneurial opportunities

According to Morris (1998), opportunities represent potential: potential customers, potential users, potential revenue, and potential cost savings. Before it becomes a potential, an opportunity in its elementary form represents only a vague representation of imprecisely defined market need, economic benefit, under-utilised resources, or a competitive advantage (Kirzner, 1997; Morris, 1998). As such “entrepreneurial opportunities do not simply ‘jump out’ in a final, ready-made form but emerge in an iterative process of shaping and development” (Dimov, 2007, p. 561).

According to Ardichvili et al. (2003), it is important to understand opportunities from two main perspectives: *value sought* and *value creation*. First, opportunities must be seen from the perspective of prospective customers; this perspective represents *value sought*. It is the firm’s ability to identify the market problem and the ability of the potential customers to recognise the value offered by the firm. This value could be either identified (known) or unidentified (unknown). Second, the *value creation capability* of the firm that stems from technology, or other proprietary knowledge or abilities represents the solutions that the firms could offer. This value could be either defined or undefined. When the value sought is identified and the capability is defined, (i.e., both problems and solutions are known), then the opportunities developed can create and deliver value.

Based on this literature review, and using the work of Eckhardt and Shane (2003) and Ardichvili et al. (2003), this study defines entrepreneurial opportunities as:

Situations in which new goods, services, raw materials, markets and organising methods can be introduced through creative combinations of resources, or means-ends relationships to deliver superior value.

This definition focuses on the process perspective and on the entrepreneurial activities as well as means-ends relationships which are the main themes of this research. In addition, this definition is consistent with the Schumpeterian (1934) view that involves creation, and the Kirznerian (1973) view that reinforces established ways of doing things and innovating in incremental steps. Also, it acts as a conduit to introduce the interplay between, knowledge, and capabilities in combining these resources. Further, it specifically addresses the outcome of entrepreneurial opportunities, i.e., value creation.

According to Ardichvili et al. (2003), the process of opportunity identification and development is influenced by five key factors: entrepreneurial alertness, prior knowledge, discovery versus purposeful search, personality traits (self-efficacy, risk taking, creativity), and social networks.

Table 2.9 summarises the various factors identified in the entrepreneurship and IE literature that lead to opportunity identification. Table 2.9 highlights the point that only a few variables identified in the table have been subject to empirical validation in relation to opportunity identification using a developed country research context. For example, prior knowledge has been studied empirically, whilst concepts such as creativity, self-efficacy, and entrepreneurial learning have been developed only up to the conceptual level.

Table 2.9 Variables contributing to opportunity identification

Variable	Main contribution	Type	Author/s
Alertness	Entrepreneurial alertness refers to an attitude of receptiveness to available (but hitherto overlooked) opportunities. Entrepreneurial individuals always engage in scanning the horizon for new opportunities without a deliberate search technique.	C *	Kirzner (1973, 1997, 1999, 2008)
	Entrepreneurs have a higher alertness; they search for information that leads to opportunity discovery.	E (USA)	Kaish and Gilad (1991)
	Entrepreneurial alertness directs the attention towards novel, unusual, and unexpected events.	C	Gaglio (2004); Gaglio and Katz (2001)
	An opportunity development process, initiated when the entrepreneur has an above threshold level of entrepreneurial alertness	C	Ardichvili et al. (2003)
Personal and environmental circumstances	Life incidents prompt the entrepreneur to search for new opportunities, and then align his/her knowledge, experience, and skills to identify these opportunities. A pursuit of personal interest resulting in a serendipitous business opportunity identification	E (USA)	Bhave (1994)
	Life experiences and social ties provide access to new information that helps people discover new opportunities.	C	Shane (2003)
Prior knowledge	Idiosyncratic prior knowledge makes people better able than others to discover certain opportunities.	C	Shane (2000); Shane and Venkataraman (2000)
	Prior knowledge provides an absorptive capacity to facilitate the acquisition of information, recognise the value of new information, and assimilate it to formulate a new means-ends framework.	C	Shane (2003)
	Prior knowledge about markets, customers, and ways to serve the markets increases the likelihood of identifying successful entrepreneurial opportunities	C	Ardichvili et al. (2003)

Variable	Main contribution	Type	Author/s
	The level of an individual's prior knowledge positively relates to the number of opportunities identified and the innovativeness of those opportunities.	E (USA)	Shepherd and DeTienne (2005)
	Prior experience (combination of specific and general knowledge) of the individual acts as an antecedent to initiate a systematic search process using a consideration set (promising group of information channels).	C	Fiet (2007)
	Firms endowed with idiosyncratic prior knowledge, especially technical knowledge, make deliberate efforts in searching for opportunities.	E (Australia)	Chandra et al. (2009)
Creativity	Creativity of the entrepreneur is positively related to alertness, leading to the identification of opportunities. Also, creativity facilitates identifying, defining, and structuring novel solutions to open-ended problems.	C	Ardichvili et al. (2003); Butler et al. (2010); Shane (2003)
	Drawing on the psychological theory of creativity, this study conceptualises a five stage process of opportunity development. They are, <i>Preparation</i> (developing conscious interest in a particular field and sensitivity to the issues and problems within it); <i>incubation</i> (subconsciously and intuitively considering options); <i>insight</i> (conscious awareness of the new concept); <i>evaluation</i> (analysing viability of insights and their value for launching a venture); and <i>elaboration</i> (actualising the creative insight).	C	Lumpkin, Hills and Shrader (2004); Lumpkin and Lichtenstein (2005)
Self-efficacy	Self-efficacy of the entrepreneur is positively related to alertness, leading to the identification of opportunities.	C	Ardichvili et al. (2003)
	The success in an international opportunity identification will be directly correlated with the level of entrepreneurial self-efficacy pertaining to this task.	C	Muzychenko (2008)
Social networks	Diverse social networks provide the entrepreneur with valuable information for successful opportunity identification.	C	Ardichvili et al. (2003); Shane (2003)

Variable	Main contribution	Type	Author/s
	Networks function as sources of ideas, information, and new knowledge, leading to opportunity recognition in international markets.	E (Australia/ Spain)	Chandra et al. (2009); Fuentes, Fuentes, Ruiz Arroyo, Bojica, and Fernandez Perez (2010)
Entrepreneurial competence	Conceptual (innovating, assessing risks, thinking intuitively and creatively, interpreting the external environment) and relationship competencies (building, using, and maintaining networks, and relationships) support the opportunity identification process.	C	Muzychenko (2008)
Cognitive processes	Active search, alertness and prior knowledge of an industry and market play an important role in entrepreneurs ability to “connect the dots” between diverse and unrelated changes and trends.	C	Baron (2004b, 2006); Baron and Ensley (2006)
	Heuristics such as mental simulations and counterfactual thinking (thinking in a way that is contrary to existing facts) drives the opportunity identification process.	C	Gaglio (2004)
Experiential learning	By bringing a learning perspective to the process of opportunity identification and exploitation, this article demonstrates the likelihood that differences in learning matter! They matter with respect to an individual’s ability to initially identify opportunities and they matter with respect to an entrepreneur’s ability to adapt and learn as he or she progresses through the process of entrepreneurship.	C	Corbett (2005)
Human capital	Entrepreneur’s knowledge and skills influence the opportunity identification and exploitation process.	E (UK)	Ucbasaran, Westhead, and Wright (2008); Ucbasaran Westhead, and Wright (2009)

* C: Conceptual; *E: Empirical

Based on this review of the literature and drawing on the work of Ardichvili et al. (2003), this study conceptualises key antecedents of opportunity identification under: *prior knowledge and experience, creativity, self-efficacy, social capital, and access to resources.*

2.13.4 Prior knowledge and experience

Strategic management theories consider that prior related knowledge and the diversity of such knowledge play an important role in the individual's learning process and, in effect, how they create new knowledge (Cohen & Levinthal, 1990). Drawing on the work of Hayek (1945) who argued that knowledge is unequally distributed among the society and that individuals have access to different pieces of the world's totality of information, entrepreneurship scholars relate prior knowledge to their explanation of the opportunity identification process. They argue that different people discover different opportunities in a given situation as a result of their idiosyncratic prior knowledge related to the opportunity being identified (Shane, 2000; Venkataraman, 1997). This individual, specific knowledge developed through experience, observation, or other means creates a "knowledge corridor" that lets certain individuals identify opportunities and not others (Venkataraman, 1997, p. 122).

According to Ronstadt's (1988) 'corridor principle', once the entrepreneurs initiate their first venture, they embark on a corridor of opportunity where they quickly recognise new venture ideas along the way. Prior research has shown that experience and knowledge within an industry help to provide entrepreneurs with new venture ideas and facilitate their ability to recognise market gaps and potential (Singh, 2000; Vesper, 1996). Shane (2000), whilst providing empirical support for prior knowledge in influencing opportunity identification, also identified two types

of prior knowledge that are necessary for opportunity discovery: *knowledge about markets* and *knowledge about how to serve them*. According to Shane (2000), when an entrepreneur knows the demand conditions of a particular market he/she is more likely to discover market opportunities than others who do not possess this knowledge. Similarly, when the individual knows what product or services could be introduced to serve the needs or solve the problem of markets/customers and how to make them efficiently using production and organising methods, he/she, but not others, is capable of discovering opportunities (Shane, 2000). Shepherd and De Tienne (2005) provide further empirical support for the views of Shane (2000), and state that prior knowledge about customer problems leads to the identification of more opportunities with a higher degree of innovativeness. Apart from empirical studies, recent conceptual developments in the cognitive approaches and learning in the entrepreneurship field also highlight the importance of prior knowledge in identifying and exploiting opportunities (Ardichvili, et al., 2003; Baron, 2006; Corbett, 2005; Grégoire, Corbett, & McMullen, 2011; Holcomb, Ireland, Holmes Jr, & Hitt, 2009; Ko & Butler, 2007; Nixdorff, 2008).

Although, entrepreneurship scholars consider prior knowledge as a key variable in opportunity identification, this concept has entered the IE domain as a much more recent phenomenon (Chandra, et al., 2009). The international business literature focuses on the experiential knowledge gained in the process of internationalisation, and considers market-specific experiential knowledge as a central element in this process (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson & Vahlne, 1977; Kogut & Zander, 1993). As such, Johanson and Vahlne (1977) pointed out the importance of foreign market knowledge, but they ascertained it is gained incrementally through experiential learning in foreign markets after the firm has started its operation. Conversely, Oviatt and McDougall (1994) challenged this

view and highlighted that BGs' seek international markets from inception. They also posited that BGs have little or no prior knowledge about their respective markets and that knowledge is acquired only after internationalisation has occurred.

However, Madsen and Servais (1997) contended that in order to understand the IE phenomenon, one needs to examine the background of the founders, such as their previous work and life experiences. This view was reiterated in subsequent studies which considered the: prior experience of the entrepreneur or entrepreneurial team as one of the main elements in understanding early and rapid internationalisation (McDougall, Oviatt, & Shrader, 2003; Oviatt & McDougall, 1997), higher degree of internationalisation (Reuber & Fischer, 1997), initiation of foreign operations (Chetty & Cambell-Hunt, 2004; Kuemmerle, 2002; Zucchella, Palamara, & Denicolai, 2007), increased international commitment (Papadopoulos & Martín Martín, 2010), international competitiveness (Evers, 2011), higher probability of survival (Mudambi & Zahra, 2007), marketing and branding achievements (Gabrielsson, 2005), and learning capabilities (Weerawardena, et al., 2007).

In spite of these developments, only a handful of studies have considered prior knowledge from the perspective of international opportunity identification. Highlighting this void in the IB literature, Mathews and Zander (2007) call for more theoretical and empirical work in understanding the links between prior experience and discovering opportunities, a link which is now considered as the primary factor in understanding the internationalisation process of the firm (Dimitratos & Jones, 2005; Johanson & Vahlne, 2009; Styles & Seymour, 2006).

2.13.5 Self-efficacy

“Entrepreneurs begin with three categories of ‘means’: they know who they are, what they know, and whom they know – their own traits, tastes and abilities; the knowledge corridors they are in; and the social networks they are a part of” (Sarasvathy, 2001, p. 250).

The term self-efficacy derived from Bandura (1977)’s work in social learning theory. Bandura (1977) differentiated the efficacy expectations with response-outcome expectancies. He states that an outcome-expectancy is a person’s estimate that a given behaviour will lead to a certain outcome. “*An efficacy expectation is the conviction that one can successfully execute the behaviour required to produce the outcomes*” (p. 193). According to his view, if an individual has serious *doubts* about his/her *capabilities* to achieve a certain outcome then even if the individual believes that a particular course of action will yield a certain outcome, that belief is not sufficient to induce that behaviour.

Self-efficacy plays an important influential role in shaping the level of effort, resilience to adversity, and perseverance (Bandura, 1997; Chen, Gully, & Eden, 2004). People’s lives are guided by their personal efficacy beliefs. Bandura (1997) states “personal self-efficacy refers to beliefs in one’s capabilities to organize and execute the courses of action required to produce given attainments” (p. 3).

Individuals may be endowed with knowledge, and skills but these factors are insufficient for accomplished performance due to the self-referent thought process that mediates the relationship between knowledge and action (Bandura, 1982). Self-efficacy is a dynamic concept; it changes with the new information and experiences acquired by the individual. Furthermore, people who have the same skills perform

differently because they combine and utilise these resources in an evolving context (Gist & Mitchell, 1992). Hence, self-efficacy is useful in providing a more dynamic approach to studying entrepreneurial behaviour (Boyd & Vozikis, 1994).

Self-efficacy is acquired gradually through past experience, and contributes to higher aspirations and future performance (Herron & Sapienza, 1992). According to Bandura (1982) and Wood and Bandura (1989), an individual's self-efficacy is developed and strengthened in four ways: (1) mastery of experience (repeated performance; direct experience in overcoming obstacles through effort and perseverance); (2) observational learning; (3) social persuasion (performance feedback); and, (4) judgement of their own physiological states.

From an entrepreneurial perspective, traits such as risk taking propensities and tolerance for ambiguity are common aspects of both entrepreneurs and managers (Brockhaus & Horowitz, 1986; Gartner, 1988), and have not been found to be reliable predictors of future behaviour (Ajzen, 1987, 1988; Gartner, 1988). Self-efficacy is considered as an antecedent to opportunity identification. Ardichvili et al. (2003) suggest that a high level of self-efficacy leads to higher levels of entrepreneurial alertness and is positively related to venture growth (Baum & Locke, 2004; Baum, Locke, & Smith, 2001), entrepreneurial drive (Forbes, 2005), new venture development (Boyd & Vozikis, 1994). Moreover, entrepreneurs exhibit higher levels of self-efficacy than managers do (Forbes, 2005). Similarly Baron (2004) and Shane, Locke, and Collins (2003) highlighted the importance of self-efficacy as a robust measure of entrepreneurial actions.

Going further with this line of thought, Chen, Green, and Crick (1998) developed an entrepreneurial self-efficacy (ESE) construct that specifically focused on the strength of the individual's belief in successfully performing the roles and tasks of

an entrepreneur. They found that individuals who scored high on the ESE scale had strong intentions to start their own business, and that entrepreneurs are different from managers. More recently, McGee, Peterson, Mueller, and Sequeira (2009) proposed an ESE scale that captures the entrepreneurial process of resource acquisition, opportunity discovery, and exploitation aspects, and found that nascent entrepreneurs who exhibited higher ESE scores are more confident in operating across all stages of the entrepreneurship process than are individuals in the general population.

From the IE perspective, this concept is still emerging. More recently, Schweizer, Vahlne, and Johanson (2010) have found that self-efficacy plays an important role in international market opportunity identification and continuing international operations amidst business failure.

2.13.6 Creativity

Creativity and innovation within the context of market dynamics were first highlighted by Schumpeter (1934), who identified the value of innovative, rare and disequilibrating activities of entrepreneurs that contributed to change in economic structure. According to Penrose (1966), ‘entrepreneurial versatility’ (imagination and vision) refers to an idea that is considered uncommon, long-sighted, and practical leading to firm growth. She also reiterates the value of having a ‘vigorous and creative’ management team capable of challenging the existing status quo to embrace the newfound market opportunities.

Creativity, change, and innovation are considered integral parts of the entrepreneurship domain (Brazeal & Herbert, 1999). These three concepts have existed for decades – mainly in the psychology literature – but have not been

rigorously examined by entrepreneurship researchers (Brazeal & Herbert, 1999). However, there have been some early attempts to integrate creativity with entrepreneurship (Whiting, 1988). The creative ideas individuals and teams are the source of organisational innovation, and creativity is the process through which the innovation occurs (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Brazeal & Herbert, 1999; Kropp, Lindsay, & Shoham, 2006). Amabile et al. (1997) define creativity as “the production of novel and useful ideas in any domain” (p. 1155).

Creativity not only brings new things to the world but also provides better solutions to existing problems and competitive advantage (Fillis & McAuley, 2000; Hirst, Van Knippenberg, & Zhou, 2009).

According to Ward (2004), who developed different cognitive approaches to creativity by integrating knowledge with cognition, creative ideas stem from combining existing knowledge with the new knowledge, and creativity is a natural mental process that is influenced by skills, motivation, personality factors, and environmental influences. Similarly, Shepherd and De Tienne (2005) posit that the concept of prior knowledge is a major component of creativity. On that same note, Baumol, Schilling, and Wolff (2009), after studying 513 historically well-known inventors and entrepreneurs dating back to 1400, concluded that entrepreneurs are generalists who, having a wide range of general knowledge and abilities, can sense uncommon market opportunities. This idea is also supported by organisational knowledge management scholars. Nonaka and Von Krogh (2009) postulate that an individual’s diverse tacit knowledge, partly acquired through diverse social interactions and practices, functions as a source of creativity. They also state that conversion of tacit knowledge into explicit knowledge is itself a creative process.

Hisrich (1990) posited that the entrepreneur is someone who demonstrates creative thinking and is capable of accepting risk and failure. Interestingly, a study conducted by Mueller and Thomas (2001) on entrepreneurial orientation (EO) aspects of 1800 university students in nine countries found that EO varies in different cultural contexts but creativity appeared to be stable across all countries. This finding means creativity is a more universal construct which can be used to measure new venture creating activities. Furthermore, the innovativeness aspect of EO is highly correlated to successful internationalisation of new entrepreneurial ventures (Kropp, et al., 2006).

Ardichvili et al. (2003), in their seminal work, emphasise the value of creativity in identifying new opportunities. They propose that, out of the many personality traits of entrepreneurs, creativity and self-efficacy have been found to be robust measures in understanding the success of entrepreneurial ventures. Further, they conceptualise that higher levels of creativity and self-efficacy lead to higher levels of entrepreneurial alertness that also facilitate opportunity identification. Lumpkin and Lichtenstein (2005) link organisational learning into a creativity-based opportunity identification model to highlight the importance of creativity in identifying opportunities. Opportunity identification is a hallmark of entrepreneurship (Shane & Venkataraman, 2000), and creativity is an important element in the entrepreneurial decision making process that leads to opportunity identification (Gaglio & Katz, 2001; Shane, 2003). Because, one needs creativity to recognise opportunities, even when the opportunities exist as an objective reality, there is wider empirical support for creativity as a cognitive property that supports opportunity recognition (Shane, 2003).

Similarly, strategic entrepreneurship researchers consider application of creativity as an important element in developing the competitive advantage of the firm (Ireland, et al., 2003; Kyrgidou & Hughes, 2010). It is also noted that creative people tend to have a high level of self-belief in what they do, and the perseverance to carry out their objectives despite adversity (Fillis, 2000). Linking knowledge with creativity, Stenberg (2004) argues that the entrepreneur's intelligence may be different from the way how researchers view traditional intelligence; rather, it is a composite of analytical, practical, and creative intelligence that can be developed through the good use of experiential learning. Another interesting contribution to entrepreneurial creativity comes from the work of Ko and Butler (2007) who elaborate on a process of how entrepreneurial creativity is developed. Their view is that social networks, alertness to opportunities, and prior knowledge lead to a thinking process that facilitates connecting the dots to identify and come up with creative ideas.

In more recent comment Kirzner (2008), clarifying his earlier theoretical stance on entrepreneurial alertness, states “to be sure, creativity is much more than alertness. But the creativity that drives profit-winning entrepreneurial behaviour is a creativity that embraces alertness too – alertness to present and future price patterns, alertness to new technological possibilities, and alertness to possible future patterns of demand” (p. 151).

Overall, IE scholars are beginning to see the important role of creativity in understanding the internationalisation process. Fillis (2001) suggests that SMEs' behaviour in the internationalisation process could be better understood by looking at their marketing skills, resource availability, creativity, and identification of opportunities. In his study that focused on UK and Ireland craft exporters, he found

creativity to be a main driver of competitive advantage. Successful craft business owners used creative designs to capitalise on their country's cultural background, and creatively exploited the limited resources and overcame barriers to internationalisation. Looking at the future of IE studies, Styles and Seymour (2006) recommend incorporating new theoretical perspectives using exchange and creativity to understand the IE process in a holistic way.

2.13.7 Access to resources

Unless the entrepreneur has inherited wealth at his/her disposal at the initiation of a new venture, access to capital and human resources can be a major constraint to the venture start-up and development (Casson, 2003; Penrose, 1966). Hence, exploitation of entrepreneurial opportunities requires acquisition and recombination of resources, and these need to be financed either through external means or internally by the entrepreneur (Shane, 2003). Similarly, Chrisman, Bauerschmidt, and Hofer (1998), argue that, even though someone has identified a good opportunity, he/she needs access to resources to exploit it. Small firms that suffer from resource limitations or fewer means of accessing resources have limited capacity to grow due to limited opportunities (Gilbert, McDougall, & Audretsch, 2006; Thakur, 1999). As such, access to resources can be considered a central factor in the success of a new venture (Bhidé, 2000).

Penrose (1966) states that “resources consist of bundle of potential services” (p. 25). As such, it is up to entrepreneurs to combine and construct value adding services through the resources at hand (Baker & Nelson, 2005). On a similar note, Rasmussen, Mosey, and Wright (2011) argue that the entrepreneurial team that has the ability to recombine tangible and intangible resources, and is capable of overcoming the resource constraints it faces, will gain credibility. As such,

entrepreneurial actions create new resources or combine existing resources in new ways that result in wealth creation (Ireland, et al., 2001). Therefore, entrepreneurial actions shed light on how valuable, rare inimitable resources come into existence.

Once the entrepreneur has started up the business with all available resources, the firm becomes the means of transforming homogenous inputs into heterogeneous outputs. The subsequent access to resources such as financial, human, physical, and organisational capital happens through the firm. Competing in international markets will need resources that are valuable and idiosyncratic to that particular market and those which facilitate the integration of the entrepreneurial knowledge coordinate and transmit the tacit knowledge (Alvarez, 2003) to create value.

The entrepreneurial opportunities and exploitation of these opportunities must lead to outcomes that are valued by the market. The next sections discuss the nexus of entrepreneurship, strategic management, and marketing, and the outcomes of entrepreneurial actions, i.e., value creation.

2.14 Value creation

“The basis of value creation is exchange” (Ellis, 2011, p. 100). “Exchange” is considered a fundamental element in marketing and is considered as the primary mechanism through which any potential value embedded in an economic system is delivered (Bagozzi, 1974; Moran & Ghoshal, 1996, August). Exchange does not mean a mere transfer of products; rather, it is an outcome of complex social and psychological experiences (Bagozzi, 1975). According to Bagozzi (1975), marketing exchange may consist of three classes of meaning: utilitarian, symbolic, and mixed exchanges. Utilitarian exchange is related to tangible product exchange where goods are given in return for money. Symbolic exchange refers to the mutual

transfer of psychological, social, or other intangible entities between two or more parties. Mixed exchange involves both utilitarian and symbolic aspects. Bagozzi (1978) defines exchange as “a dynamic social process functioning under economic and psychological constraint” (p. 537). Exchange is considered as a value-creating process that normally leaves both parties better off (Kotler & Keller, 2005). Exporting is considered one specific form of exchange where goods and services cross the boundaries of the firm and also the nation (Kundu & Katz, 2003).

‘Value’ has been defined in various ways by scholars, creating a conceptual confusion about the definition of the term (Soman & N-Marandi, 2010). Delivering superior value to the customer is the key to customer satisfaction and achieving superior performance (Slater, 1997). From the perspectives of marketing theory that focuses on the customer value, one can see that there is some consensus over this term (Woodruff, 1997). That is, the customer value is something perceived by the customer rather than objectively determined by a seller; it is a trade-off between what the customer receives (benefits) and what he or she gives up to acquire and use the product (cost) (Woodruff, 1997). In summary, customer perceived value is the difference between the customer’s evaluation of all the benefits and all the costs of an offering and the perceived alternatives (Kotler & Keller, 2005).

From the strategic management perspective, an organisation needs to create higher economic value than its competitors in order to create a competitive advantage (Peteraf & Barney, 2003). Economic value is defined by Peteraf and Barney (2003). The “value created by an enterprise in the course of providing a good or service is the difference between the perceived benefit gained by the purchasers of the good and the economic cost to the enterprise” (p. 314). Moran and Goshal (1996) emphasise that successful firms create value consistently and increase both their

capabilities and both their own and society's prosperity. Competitive advantage is gained when a firm creates economic value that is greater than that of its rivals, and a firm produces greater net benefits through differentiation and/or lower cost (Peteraf & Barney, 2003).

However, RBT focuses primarily on value appropriation rather than the value creation process of the firm (Bowman & Ambrosini, 2000; Moran & Ghoshal, 1996, August). According to Cohen and Levinthal (1989), firms need to have the absorptive capacity to assimilate new knowledge and to combine it with existing knowledge in order to generate new value-creating activities. Resources that firms use as inputs to the production process, such as raw materials, buildings, computers, and vehicles, need human intervention to activate or work on before they contribute to the production of new value. This assertion applies to intangible resources such as brand as well (Bowman & Ambrosini, 2000). This transformation process creates a new 'use value' for the resource; however, this use value is realised only when the product goes through the market exchange process and generates the 'exchange value' (selling price) (Bowman & Ambrosini, 2000).

The knowledge of how to direct, recombine and transform resources to create new-use value needs the skill of entrepreneurial actors (Schumpeter, 1934). Therefore, what matters is not the mere availability of resources but the services that the resources can render (Penrose, 1966). Bowman and Ambrosini (2000) state it is the use value that is more important than the exchange value of the products. Value creation without focusing on innovation creates only incremental improvements that lead to survival of the firm but do not make the firm stand out in the market; at the same time, focusing on innovation without value makes the firm go beyond what the customers are willing to accept and pay (Kim & Mauborgne, 2005b). Kim

and Mauborgne (2005) introduce the term '*value innovation*' that aligns innovation with value. They challenge the conventional view of value/cost trade-off and state that firms are capable of achieving cost leadership and differentiation simultaneously.

2.14.1 The concept of value innovation

According to Kim and Mauborgne (2005), there are two types of firms. The first use the competition to benchmark their performance in the same industry and are called 'Red Oceans', whereas firms that focus on value innovation, without benchmarking on competition, making the competition irrelevant by creating significant value additions to their customers and also to the firm, are called 'Blue Oceans' (Kim & Mauborgne, 2005a). Value innovation is about strategy that incorporates the whole system of the organisation and that assumes market boundaries and industry structure are not fixed and can be altered by the actions and beliefs of industry players.

Our analysis of more than thirty industries confirms that neither industry nor the organizational characteristics explain the distinction between two groups. In assessing the industry, organizational, and strategic variables we found that the creation and capturing of the blue oceans were achieved by small and large companies, by young and old managers, by companies in attractive and unattractive industries, by new entrants and established incumbents, by private and public companies, by companies in low and high-tech industries, and by companies in diverse national regions. (Kim & Mauborgne, 2005a, p. 12)

The value innovation approach is closer to Schumpeter's view about how resources are recombined to develop innovations using entrepreneurial insights. This

approach challenges the structuralist view that has its roots in industrial organisation (IO) of the structure/conduct/performance paradigm, and suggests that structure and market boundaries exist only in managers' minds. Table 2.10 summarises the strategic differences of Red Ocean and Blue Ocean strategies.

Table 2.10 Red oceans versus blue oceans

Red Ocean strategy	Blue Ocean strategy
Compete in existing market space.	Create uncontested market space.
Focus on volume/short term/myopic.	Focus on value/long term/holistic.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value/cost trade- off.	Break the value/cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation <i>or</i> low cost.	Align the whole system of a company's activities in pursuit of differentiation <i>and</i> low cost.

Source : Adapted from Kim and Mauborgne (2005a)

In order to understand how value is created, Kim and Mauborgne (2005a) have introduced a four action framework (eliminate, reduce, raise and create) which focuses on simultaneous development of low cost and differentiation strategies to create new value.

Eliminate: This action focuses on the factors that industry has taken for granted due to its long-term existence but which no longer add value or may even lessen the value of the firm's offerings. This is specially the case for firms operating in traditional industries who will not see the changes in buyers' values due to their myopic industry views.

Reduce: Companies may ‘over serve’ their customers due to competitive pressures or ‘over engineer’ their products to fight the competition, creating inefficiencies and cost disadvantages. These factors need to be identified and the cost structure changed to achieve below industry standard.

Raise: Being more sensitive to the buyers’ core values, a company may raise the standards of the offering in order to eliminate situations where buyers have to compromise when making their choices.

Create: This action involves offering products or services that the industry has never offered before, in order to shift the demand and shift the strategic pricing of the industry.

Together these four factors look at the cost and differentiation aspects simultaneously to deliver superior value and new experiences to a firm’s stakeholder. Although, value innovation is a recent conceptual development, the underlying principles have been known to strategy scholars for decades. For example, Miller and Friesen (1983) emphasised that firms that are proactive and risk taking, take the leadership role in new product and service technologies, and search for novel solutions to marketing and production problems without following the competitors.

According to Porter (1985), achieving both cost leadership and differentiation was impossible since he viewed these two strategies as being mutually exclusive. However, Hill (1988) suggested that firms in mature industries are more likely to achieve consistent superior performance by using cost leadership and differentiation simultaneously. This view has received considerable support from strategy scholars (Buzzell & Wiersema, 1981; Murray, 1988; Parnell, 1997; Proff,

2000). Parnell (2006) pointed out that cost leadership, differentiation, and focus strategies are in fact viewed as components of the organisational value proposition rather than mutually exclusive strategies. He stresses the fact that unique, valuable, and inimitable resources are fundamental elements in successful business strategies. Solberg and Durrieu (2008) support the combination of generic strategies and speculate that globalisation of markets and competition makes such integration more relevant in today's dynamic world markets. They have found a positive relationship between generic strategies and international performance, particularly, cost leadership having a direct relationship on performance and the other two strategies having an indirect relationship (with international marketing strategies) to performance.

With regard to international performance, most of the studies have focused exclusively on either differentiation or cost leadership without looking at the synergetic effect of the combination. A study conducted by Aulakh, Kotabe, and Teegan (2000), focusing on the emerging countries Brazil, Chile, and Mexico, found that 93 per cent of all the firms that participated were using exports as their main entry strategy, that firms that targeted developed countries were using a cost leadership strategy, and that firms that targeted developing countries used differentiation strategies to increase their performance.

IE studies have given much emphasis to studying the functional level strategies, specially marketing strategies, and their impact on firms' international performance (see Table 2.11). In a review conducted by Leonidou, Katsikeas, and Samiee (2002) looking at the marketing level strategy variables of the studies conducted since the 1960s, the authors identified that out of the possible variables, product quality, pricing strategy, dealer support, and advertising were found to influence

performance positively in export markets. Product quality has been found to be a significant factor in firm performance in other IE related studies (Knight, 2000; Moen & Servais, 2002).

Based on the discussion so far, the next section develops the theoretical propositions and the conceptual framework that will guide the rest of the study.

Table 2.11 How firms create value in international markets

Value creation strategies	Outcome	Author/s
Organisational innovation	Entrepreneurial SMEs pursuing international market entry actively undertake innovation in all areas of value-creating activities. Rapid internationalisation	Dib et al. (2010); Kocak and Adimbola (2009); Li, Dan, and Dalgic (2004); O’Cass and Weerawardena (2009)
Unique knowledge intensive products/Product innovation	International market performance/Improves productivity and international entry	Cassiman and Golovko (2010); Crick (2009); Gassmann and Keupp (2007); Mort and Weerawardena (2006); Weerawardena et al. (2007)
Marketing differentiation/Market Orientation/Product differentiation	Rapid internationalisation/Performance	Armario, Ruiz, and Armario (2008); Bloodgood et al. (1996); Brettel et al. (2009); Cadogan, Kuivalainen, and Sundqvist (2009); Kropp et al. (2006); Pla-Barber and Escriba-Esteve (2006); Ruokonen, Nummela, Puumalainen, and Saaranketo (2008)
Channel development	Rapid internationalisation	Gabrielsson and Kirpalani (2004)
Systematic planning/Market selection	Internationalisation performance	Yip, Biscarri, and Monti (2000); Baird, Lyles, and Orris (1994); Brouthers and Nakos (2005)
Product suitability/Adaptation	Rapid internationalisation/Performance	Gabrielsson, Kirpalani, Dimitratos, Solberg, and Zucchella (2008); Calantone, Cavusgil, Schmidt, and Shin (2004)
Product homogeneity	Competitive advantage	Gassmann and Keupp (2007)
Absorptive capacity	Profitability and growth	Zahra and Hayton (2008)
TMT behavioural integration	Sales growth	Reuber and Fischer (2002)
Technology	Internationalisation	Crick (2009)

2.15 Conceptual Framework and Propositions

The literature on the development of the internationalisation process of the firm, and IE in particular, has grown rapidly in the last two decades. Despite this rapid development, integration of the entrepreneurial aspect into international business studies is still in its infancy, and without a strong theoretical direction (Jones & Coviello, 2005). This study intends to address this gap by developing a framework of entrepreneurial internationalisation in order to understand how international firms develop cross-border value creation through entrepreneurial behaviour.

Today, the IE domain is a much broader concept; it consists of new, mature, and traditional firms that belong to every type of industry, and representing every region of the world. Yet, the IE field is without a unifying theoretical base that captures the entrepreneurial dynamics and the firm's internationalisation process focusing on how firms come into existence and what sustained them in the international market place.

2.15.1 Research question

This thesis focuses on the entire process of internationalisation from an entrepreneurial perspective, from the pre founding stage to post internationalisation stages.

Therefore, this study intends to answer the following research question.

What factors influence the internationalisation path of a firm and its sustainability?

The internationalisation process is initiated by entrepreneurial opportunity (Oviatt & McDougall, 2005a). As such, international opportunity identification plays a central role in explaining the underlying mechanism of the internationalisation

process (Mathews & Zander, 2007; Styles & Seymour, 2006). Furthermore, the success and sustainability of the firm depend on the firm's ability to consistently create value for its stakeholders. These two themes prompt two sub questions.

Q1) What factors act as the antecedents of international opportunity identification and development?

Q2) How do entrepreneurs exploit identified opportunities and create value in international markets?

The next section focuses on the two main themes outlined above (opportunity development and value creation) from an entrepreneurial perspective.

The entire study is grounded on the definition developed by Styles and Seymour (2006), since it holds great promise as a basis for IE theory building. However, their original definition emphasises only the behavioural aspect of the entrepreneurial process. The cognitive perspective emphasises the individual's mental processes which play an integral part in what they think, say, and do (Baron, 2004). According to Baron (2004), the cognitive perspective can assist in answering why some people recognise opportunities and why they are more successful than others. Consequently, this study perceives the international entrepreneurial process as both a behavioural and a cognitive process (Baron, 1998; Shane, 2003), and defines IE as:

“The cognitive and behavioural process associated with the creation and exchange of value through the identification and exploitation of opportunities that cross national borders.”

Furthermore, having a broader definition paves the way for more integrative approaches and inclusion of all types (born global, traditional, born-again global, etc.) and sizes of firms that are in different stages of the internationalisation process. Styles and Seymour's (2006) conceptualisation with its inclusion of the entrepreneurial aspect highlights some key concepts related to the IE domain, such as, identification of opportunity, value exchange, human action, creativity, and innovation. This conceptualisation also enables the researcher to look at the pre founding stage of the firm, which is now considered as an important aspect of understanding the internationalisation process of the firm (Arenius, Sasi, & Gabrielsson, 2005; Evald, et al., 2011; Prashantham & Dhanaraj, 2010; Rialp-Criado, et al., 2010).

The next step discusses the main constructs related to the IE process developed from the literature review.

2.15.2 Towards an integrative framework of IE

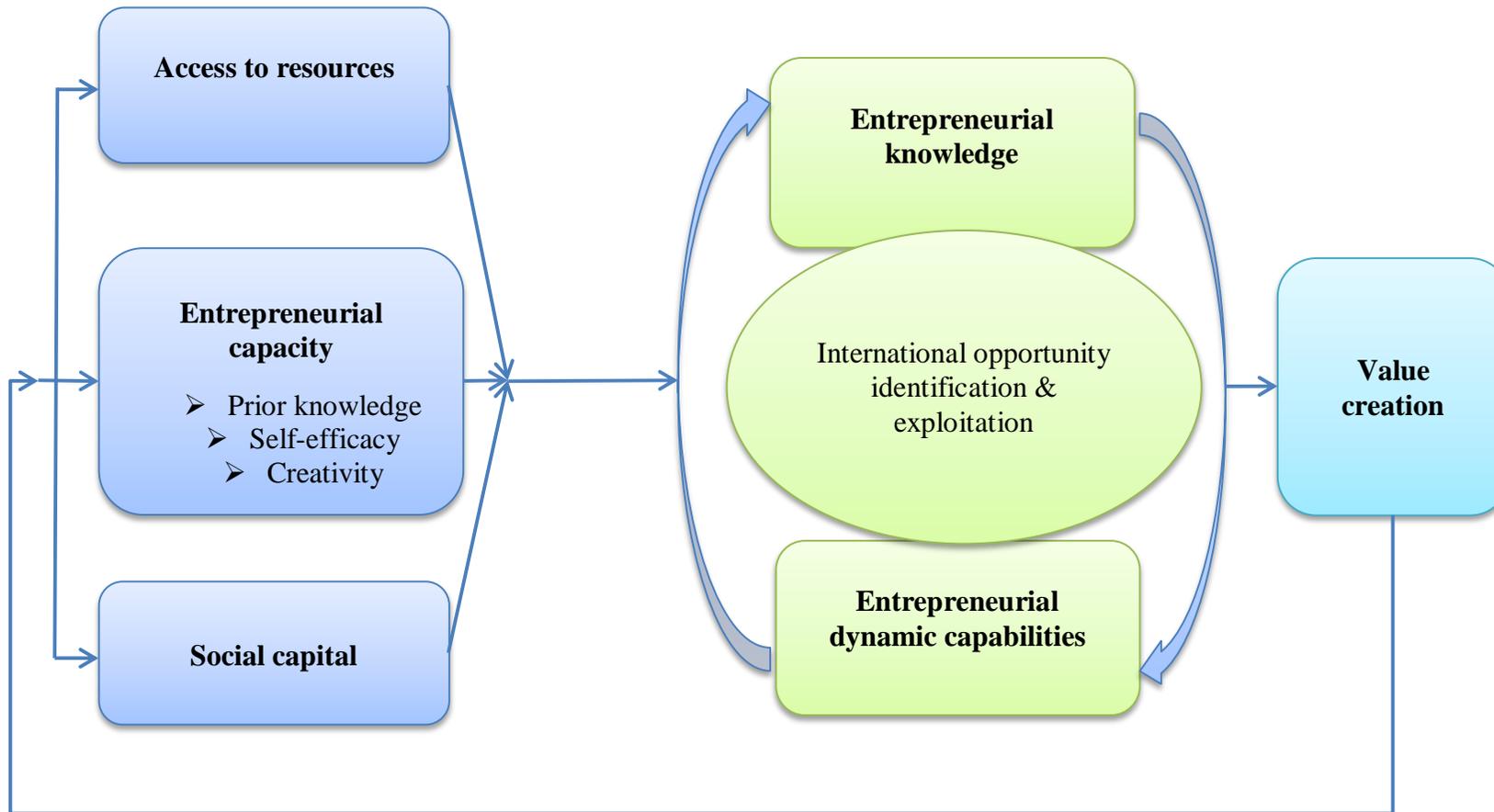
IE scholars repeatedly highlighted that a single theory is incapable of providing understanding of the whole process of entrepreneurial internationalisation. The literature review clearly identified that looking at IE phenomena from a resource-based perspective enables scholars to identify critical value-adding components of the entrepreneurial internationalisation process. As such, this study uses the RBT perspective to understand the resource heterogeneity of the individual firm and entrepreneurship theory to focus on how individuals use such resources to create value.

The model further uses the SC theory, KBV, and DC perspectives to understand what types of resources are most valuable and how entrepreneurs use, recombine,

and exploit such resources to create value. The conceptual model depicting these fundamental elements is summarised in Figure 2.3.

The next section develops eight propositions focusing on three entrepreneur- related factors: prior knowledge, self-efficacy, creativity, and two external factors: social capital, and access to resources.

Figure 2.3 Conceptual model of entrepreneurial internationalisation



Entrepreneur and entrepreneurial capacities

Drawing on the IB, entrepreneurship, RBT, KBV, and DC perspectives, this study conceptualises five entrepreneurial capacities: *prior knowledge*, *self-efficacy*, *creativity*, *existing knowledge*, and *dynamic capabilities*.

The first three higher order elements hold the potential entrepreneurial capacities that act as antecedents to opportunity identification and development. The next two constructs: *existing knowledge* and *dynamic capability* are the core elements in opportunity identification that enable the entrepreneur/entrepreneurial team to recognise and exploit opportunities to create value (Kim & Mauborgne, 2004; Prahalad & Ramaswamy, 2004). By recombining prior knowledge and experience, with the knowledge gained through other resources such as social capital and firm resources, entrepreneurs build, adapt, integrate, and reconfigure these resources with their capabilities and new knowledge to match the requirements of the changing environments and to identify new opportunities (Kogut & Zander, 1992; Teece, et al., 1997).

This discussion leads to the following propositions:

P1a: The entrepreneurs' prior knowledge and experience affect their existing knowledge and capability base, leading to new opportunity identification development.

P1b: The entrepreneur's' creativity affects their existing knowledge and capabilities, leading to new opportunity development through creatively recombining existing resources.

P1c: The entrepreneurs' self-efficacy affects their existing knowledge and capabilities, leading to new opportunity development through being acutely aware about their capabilities and overcoming any deficiencies in them.

Social capital

There is growing support for social capital as an antecedent to knowledge creation through combination and exchange, providing information, supporting opportunity identification, and promoting resources mobilisation (Yli-Renko, et al., 2002; Davidsson & Honig, 2003; De Carolis & Saporito, 2006; Manolova, et al., 2010; Prashantham & Dhanaraj, 2010; Vaghely & Julien, 2010).

This study draws on Yli-Renko et al. (2002), Ardichvili et al. (2003) and Han (2006) to perceive social capital as a critical resource in the process of opportunity recognition and development and leads to following proposition:

P2: The entrepreneurs' social capital affects their knowledge and capabilities, leading to opportunity development by providing, advice, information, resources, and resource mobilisation.

Access to resources

The possibility of opportunities being identified for venture creation and growth is dependent on the amount of resources that the firm has at its disposal (Gilbert, et al., 2006; Thakur, 1999). Similarly, when the venture becomes operational, access to resources that are valuable, rare, difficult to imitate (Barney, 1986, 1991, 1996; Peteraf, 1993) not only promotes the survivability and growth of the firm, but also creates room for new opportunities, faster internationalisation, and innovation (Rialp & Rialp, 2007).

This line of thinking leads to the following proposition:

P3: The entrepreneurs' ability to access human, physical, and financial resources affects their knowledge and capability base, leading to opportunity development and exploitation.

Knowledge and capabilities

Scholarly work in the area of entrepreneurship and the IE domain (Blomstermo, et al., 2004; Eriksson, et al., 1997; Johanson & Vahlne, 1977; Mejri & Umemoto, 2010; Rasmussen, et al., 2001; Yli-Renko & Autio, 1998) identifies various knowledge constructs related to the successful internationalisation of the firm. Based on these findings, this study uses three types of entrepreneurial knowledge domains: *technical knowledge* (expert knowledge in a specific activity, process, technique, and procedure); *conceptual knowledge* (knowledge about markets, industries, consumers, political and economic forces, and general management activities of the organisation); *networking knowledge* (knowledge pertaining to understanding others and about the resources embedded in them (individuals, networks, institutions)). In this study, the focus is on the knowledge at the individual level, since, in new ventures, firm level knowledge cannot supersede individual-level knowledge by definition (Autio, 2005). Individual knowledge becomes applicable to mature firms since it, rather than objective knowledge, is the experiential knowledge that has the most value in identifying opportunities. This discussion leads to the following proposition:

P4a: The entrepreneur's explicit (theoretical) and implicit (practical) knowledge about the technical, conceptual, and social elements affect his/her capabilities, leading to international opportunity development and exploitation.

Knowledge and capabilities coevolve, and they are integrated elements that work symbiotically to create new knowledge. Amit and Schoemaker (1993) define capabilities at the firm level as the capacity to deploy resources.

Since the main unit of analysis is at the individual level, and being consistent with the DC perspective, this study terms individual dynamic capabilities (skills and abilities) as the capacity to integrate, recombine, and deploy resources and knowledge in novel ways to create value-creating opportunities. This thinking leads to the following proposition:

P4b: The entrepreneur's ability to adapt, synthesise and integrate his/her technical, conceptual and networking knowledge and resources affects international opportunity development and exploitation, leading to value creation.

The above propositions suggest that the entrepreneurial internationalisation process to create value in the marketplace is initiated by capitalising on entrepreneurial capacities such as the entrepreneur's prior knowledge, self-efficacy, and creativity. However, these factors alone are insufficient to identify opportunities. Entrepreneurs rely on their networks and social capital to gain access to information and resources. Similarly, having access to resources when they are mostly needed puts the entrepreneur at a certain advantage when it comes to identifying and exploiting opportunities. However, the next element in this process is not about having access to resources but is about the entrepreneur's ability to use his/her knowledge and capabilities to recombine and transform resources to create value.

Opportunity identification is critical to the internationalisation process of the firm, and these opportunities must be capable of creating value for the organisation and its stakeholders. Therefore, opportunity exploitation involves a decision to act on

value-creating activities of the firm. As such, the knowledge of how to direct, recombine, and transform resources to create value needs the skills of entrepreneurial actors (Schumpeter, 1934).

This final proposition focuses on the value creation aspects of the firm. Value creation and innovation could result from four key means (i.e., by eliminating factors that industry takes for granted, reducing the cost, raising the standards, and creating new innovations to shift the demand) (Kim & Mauborgne, 2005b). In essence, firms achieve superior value creation by simultaneously implementing cost leadership and differentiation strategies. This discussion leads to the final proposition of this study:

P5: The internationalisation path and its sustainability are affected by the level of value creation made by firms in international markets.

2.16 Summary

This chapter critically reviewed the theories and identified the academic influences that developed IE theory to its current state. Close to two decades of research have made the IE theory rich with insights; it is, however, fragmented and without a unifying direction. This review identified the critical yet missing areas that need to be integrated to develop a holistic understanding of the entrepreneurial internationalisation process.

A review of the strategic management and network literature identified the importance of unique resources and value innovation in creating sustainable competitive advantage for the firm. The entrepreneurship literature provides insights into how unique resources come into existence through entrepreneurial actions. The entrepreneurial lens provides the foundation to study the

internationalisation process as a behavioural one associated with creation and exchange of value through the identification and exploitation of opportunities across the national border.

This chapter also developed eight propositions based on the literature review findings. The initial conceptual model suggested in this section highlights the nexus of opportunity development and value innovation. It identifies the factors that act as antecedents to opportunity identification and development, and the entrepreneurial process that leads to exploitation of opportunities that create value innovation. Primarily, the approach taken in this study integrates the RBT (firm resources, entrepreneurial resources, and network resources) and entrepreneurship theory (opportunity identification, development, and exploitation) in order to understand how firms engage in value innovation activities in international markets.

The next section focuses on the research methodology and the methods used to collect, interpret, and present the study's data.

Chapter 3

Methodology

3.1 Introduction

IE research brings a novel perspective to IB research by focusing on the internationalisation process of entrepreneurial ventures. However, IE theory is still emerging and in need of a robust theoretical grounding to establish itself as a distinct theory of internationalisation. As such, the main objective of this study is to expand the current understanding of IE theory by trying to address the identified weaknesses of the current IE approach.

This study uses multiple theoretical perspectives to conceptualise entrepreneurial internationalisation from a holistic perspective. As such it requires integration of previously unconnected concepts such as entrepreneurial knowledge, dynamic capabilities, and value creation. In order to build a firm theoretical founding, this chapter highlights the explanatory nature of this research, and the need to position it using qualitative research methodology. It then provides a justification for the method used to collect the data, and the approach taken to design and analyse the findings.

3.2 Philosophical assumptions

The research design process begins with certain philosophical assumptions and paradigms with regard to the nature of the social world and the way in which it may be investigated. Hence, these assumptions and paradigms have a profound impact

on identifying the research approach, the conduct of the inquiry, the validity and the writing of the study (Andersen & Skaates, 2004; Creswell, 2007).

The philosophical assumptions or questions vary and these are dependent on the preference of different authors; among them, three are widely accepted in the literature: *ontology*, *epistemology*, and *methodology* (Burrell & Morgan, 1979; Guba, 1990; Guba & Lincoln, 1994). Furthermore, Burrell and Morgan (1979) describe these assumptions under the subjective-objective dimensions.

Ontological assumptions are concerned with the very essence of the phenomena under investigation (Burrell & Morgan, 1979), and constitute a set of beliefs about the nature of reality (Heigham & Croker, 2009). Ontology relates to accepting or rejecting the idea that there is an objective, real world (Campbell & Wasco, 2000). A subjectivist researcher takes a nominalist approach to comprehend the nature of reality, thereby, not admitting that there is a ‘real’ structure of the world. An objectivist researcher takes a ‘realist’ approach, and contends that, whether we label these structures or not, they exist as empirical entities. Hence, for a realist, the social world exists independently of an individual’s appreciation of it (Burrell & Morgan, 1979, p. 4).

- The ontological questions are: What is the nature of the “knowable”? What is the nature of “reality”? (Guba, 1990); they ask whether the “reality” is external (objective) to the individual or the product of individual consciousness (subjective) (Burrell & Morgan, 1979).

Epistemological assumptions are concerned with the ‘nature of knowledge’, i.e., what is knowledge and how is knowledge to be obtained (Campbell & Wasco, 2000), whether knowledge is capable of being transmitted in tangible form (can be

acquired), or whether it is a softer, more spiritual or inspirational type that is difficult to transfer, and personal (comprehensible only through personal experience) in nature (Burrell & Morgan, 1979). A subjectivist researcher takes an 'anti-positivist' epistemological approach, considers the world as relativistic, and directly gets involved in the activities which are to be studied. In contrast, an objectivist researcher who takes a 'positivist' approach tries to explain and predict the activities of the social world by identifying casual relationships and regularities found in the elements in the research, and to remain an 'observer'.

- Epistemological questions ask: What is the nature of the relationship between the knower and the known? (Guba, 1990), how do we know, and what do we know? (Marvasti, 2004).

The epistemological and ontological assumptions/questions discussed earlier have direct effects on the nature of *Methodological* assumptions. Hence, methodology is dependent on the stance that the researcher has already taken in terms of the nature of 'reality' and the nature of 'knowledge'. A subjectivist researcher tries to get firsthand information about the subject under investigation by being closer to, or by being an 'insider' in, the investigation. An objectivist researcher takes a nomothetic approach and focuses on systematic protocol and techniques with scientific rigour to develop hypotheses and analysis of data.

- Methodological questions consider: How should the inquirer go about finding out knowledge? (Guba, 1990), what is the process of research? (Creswell, 2007).

In the social sciences there are differing beliefs as to how research should be conducted and these differing beliefs can be broadly categorised into schools of

thoughts or paradigms (Cavana, Delahaye, & Sekaran, 2001). Further, the philosophical assumptions discussed in this section provide a meaningful separation of these views and help locate the research in distinct paradigms that will be discussed in the next section.

3.3 Research paradigm

Guba and Lincoln (1994) define a paradigm “as the basic belief system or worldview that guides the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways” (p. 105).

Based on a set of belief systems, paradigms provide guidelines and principles and direct the research methods and techniques, influencing the way in which the research is conducted (Ticehurst & Veal, 1999). They also provide an effective means for identifying similarities, differences, and frames of reference held by various theorists who have contributed to the subject area (Burrell & Morgan, 1979). Burrell and Morgan (1979) have identified four mutually exclusive social views or paradigms. They are “radical structuralist”, “functionalist”, “radical humanist”, and “interpretive”.

According to them, the *radical structuralist* and *functionalist* paradigms take the *objectivist* point of view, whilst the latter focus on providing rational explanations of social affairs. Both take a standpoint; these may be classified as *realist*, *positivist*, *determinist*, and *nomothetic* approaches. However, the radical structuralist is committed to *radical change*, *emancipation*, and *potentiality*, focusing on structural relationships within a realist social world.

The radical humanist and interpretive paradigms adopt the subjectivist approach with nominalist, anti-positivist, and ideographic views. A researcher located in the

interpretive paradigm sees the social world as a cohesive, ordered, and integrated one, and as a creation of human consciousness. Further, the interpretive researcher sees the social world as on-going and searches for deeper and fundamental meanings within social life. The radical humanist paradigm focuses on overthrowing or transcending the limitations of existing social arrangements in society.

The paradigm dialogue has continued since Burrell and Morgan's (1979) seminal work, and has incorporated more terminology along the subjective-objective continuum. Guba and Lincoln (1994) identified four paradigms; *positivism*, *post-positivism*, *critical theory*, and *constructivism*. On a similar note, Gephert (1999) limits these to three main paradigms; *positivism*, *interpretivism*, and *critical theory* (postmodernism). Crotty's (1998) analysis of theoretical perspectives proposes quite a number of them: *positivism (and post positivism)*, *interpretivism*, *critical inquiry*, *feminism*, and *postmodernism*. More recent contributions seem to conflate these worldviews into three main paradigms. They are: *positivist*, *interpretive (also called constructivism,)* and *realism (critical inquiry)* (Cavana, et al., 2001; Saunders, Lewis, & Thornhill, 2003).

Rooted in the natural sciences and faith in the accuracy and the certainty of scientific knowledge (Crotty, 1998), the positivist researcher exclusively works with the empirically observable social reality and tries to build law-like generalisations (Cavana, et al., 2001). Positivist research uses precise, objective measures and is generally associated with quantitative data, which facilitates the replicability of the findings. As such, the positivist researcher aims to uncover universal laws that presumably hold true across time and place (Hammersley & Atkinson, 1983).

Interpretivist research views people's experience of physical and social reality in different ways. Therefore, this approach assumes that reality is socially constructed, and consists of many perceived realities that are time and context specific (Hudson & Ozanne, 1988). The epistemological approach here is that of a *subjectivist*; hence, the interpretivist researcher is interested in the lived experience of human beings, and presents a rich and complex description of how people think, react, and understand in certain contextually specific situations (Cavana, et al., 2001; Saunders, et al., 2003). As such, the researcher interactively engages with the participants to break down and uncover socially constructed realities in order to understand and explain human and social reality (Campbell & Wasco, 2000). Therefore, the findings of the research can be seen as a creation of the process of interaction between the inquirer and the inquired (Guba, 1990).

Critical realists claim that *an entity can exist independently of its identification* which implies that it can exist without someone observing, knowing and constructing it (Fleetwood, 2005). Critical research tries to uncover the myths and hidden meanings of the subject being studied. The researcher assumes that there are multiple layers with underlying meaning systems behind the observable, surface reality (Cavana, et al., 2001). Table 3.1 provides a comparison of these three major paradigms.

Table 3.1 Comparison of three main paradigms

	Positivist	Critical	Interpretivist
Ontology	Realist: 'real' reality but apprehend able	Realist: 'real' reality, but imperfectly and probabilistically apprehend able	Relativist: Reality is subjective and multiple, as seen by participants in the study and is co-constructed
Epistemology	Dualist, objectivist: Objective world which science can measure and 'mirror' with privileged knowledge	Interactive, subjectivist: Material world of structured contradictions and/or exploitation which can be objectively known only by removing tacit ideological biases	Interactive, subjectivist: Inter-subjective world which science can represent with concepts; social construction of reality
Methodology	Interventionist	Participative	Hermeneutic, dialectic
Aim	To discover universal laws that can be used to predict, explain, and control human activity	To uncover surface illusions so that people will be empowered to change their world Critique and transformation	To uncover socially constructed meaning of reality as understood by an individual or group
Stance of researcher	Stands aloof and apart from research subjects.	Involved with research subjects, but urges subjects to change their world	Becomes fully aware of research subjects.
Values	Value free; their influence is denied.	Value included and made explicit	Value included and made explicit
Types of reasoning	Deductive	Deductive and inductive	Inductive
Research plan	Rigorous, linear and rigid, based on research hypothesis	The imperative for change guides the actions of the researcher.	Flexible, and follows the information provided by the research subject
Research methods and type(s) of analysis	Experiments, questionnaires and secondary data analysis	Field research; historical analysis; dialectical analysis	Ethnography; participant observation; interviews; focus groups; case studies; conversational analysis
Goodness or quality of criteria	Internal and external validity; reliability and objectivity	Historical situatedness; erosion of ignorance and misapprehensions; action stimulus	Trustworthiness and authenticity

Source: Abridged from Cavana et al. (2001); Creswell (2007); Gephart (1999); Guba (1990); Guba and Lincoln (1994).

3.4 Positioning the research

The objectives of this research place emphasis on individual, context, and time-bound experiences. As such, the main focus is on the unique, individual-specific social constructs rather than on the abstract, law-like generalisations of the natural sciences. Hence, this research takes an interpretivist approach to position the research in a methodology that is qualitative in nature.

3.4.1 The nature of research

This research intends to seek integrative insights into entrepreneurial actions leading to successful internationalisation of the firm and to understand the phenomena from a new perspective. Even though, this study is undertaken in a context with limited knowledge about the phenomena under investigation, and with limited information about how similar issues have been resolved in the past (Cavana, et al., 2001); internationalisation literature provides extensive insights into the internationalisation process of the firm. Therefore, this research guided by theory and draws heavily from the past literature to comprehend the nature and operational links between entrepreneurial actions and internationalisation of Sri Lankan firms in the agriculture industry; hence, the study can be classified as ‘explanatory’ in nature (Robson, 2002). Unlike ‘descriptive research’ that focuses on accurate profiles of people, events, or situations, or ‘exploratory research’ that starts with a broader perspective and progressively narrows down as the research progress (Adams & Schvaneveldt, 1994). ‘Explanatory research’ focuses on causal relationships between variables (Robson, 2002). However, their boundaries are not always clear (Yin, 2008). Yin (2008) recommends using explanatory approach when ‘how’ and ‘why’ questions is to be the focus of the study.

3.4.2 Selection of research approach

There are two approaches to doing research: the *deductive approach* and the *inductive approach*. Generally, the deductive approach is closely associated with the positivist research paradigm, and the inductive research approach is associated with the interpretivist research paradigm, although this association is not mutually exclusive (Saunders et al., 2003). Table 3.2 depicts the major differences between these two approaches.

Table 3.2 Differences between deductive and inductive approaches to research

Deduction emphasis	Inductive emphasis
Scientific principles	Gaining an understanding of the meaning humans attach to events
Moving from theory to data	Moving from observation to theory
The need to explain causal relationship between variables	A close understanding of the research context
The collection of quantitative data	The collection of qualitative data
Application of controls to ensure validity of data	More flexible structure to permit changes of research emphasis as the research progress
The researcher is independent of what is being researched	The researcher is part of the research process
Need to select samples of sufficient size in order to generalise conclusions	Less concerned with the need to generalise

Source: Adapted from Saunders et al. (2003).

The two different approaches have different research methods. The quantitative research method is based broadly on the principles of positivism and, therefore,

takes a deductive approach. The qualitative research method tries to understand the complex and unpredictable behaviour of human beings and has an inductive emphasis.

The purpose of this study is to gain a clear understanding of and to expand the existing theoretical domain of IE approach. This research will create a paradigm shift in the current conceptualisation of IE theory by increasing the explanatory power of the internationalisation process of the firm. The entrepreneurial process approach that is used in this study requires a greater understanding about how individuals behave over time and how they influence the organisation during this period of entrepreneurial activity. From the firm's point of view, focus is directed to understand the behavioural aspects of individuals and the teams that govern the firm's boundary and activities. Therefore, a positivist approach that tries to establish a strict causal relationship between variables will not generate the desired insight and depth which the researcher is seeking. However, deductive reasoning is used in this study to develop the initial theoretical propositions.

In order to embrace the complex and dynamic quality of this social phenomenon, the researcher has to get close to the participants and interpret their perceptions as appropriate (Shaw, 1999). This interpretation can be achieved by generating rich descriptions of actual events in real-life contexts perceived by participants. Further, qualitative research is open to unexpected events and offers a holistic description of realities (Rynes & Gephart, 2004). This closer examination using careful documentation and thoughtful analysis will identify patterns pertaining to the subjects being investigated. Specifically, the ability of the qualitative researcher and the methods used to explore the tacit knowledge of the subject will deepen the

understanding, something which a quantitative method would fail to achieve (Cavana, et al., 2001).

Qualitative methods have been defined as a procedure for “coming to terms with the meaning not the frequency” of a phenomenon by studying it in its social context (Van Maanen, 1983, p. 9). As such, the research methodology adopted in qualitative inquiry takes the inductive approach, where the researcher works closely with the subjects before generalising back to the theory and he or she continuously revises the questions and content, as a result of the experience gained in the field (Creswell, 2007). Therefore, this research adopted the inductive approach to develop holistic descriptions of realities.

3.4.3 Qualitative research methodologies

A countless number of qualitative approaches/methodologies are given in the literature (Crabtree & Miller, 1992; Denzin & Lincoln, 2005; Tesch, 1990; Wolcott, 1992). Out of all these qualitative approaches, “ethnography”, “phenomenology”, and “grounded theory” have been frequently cited as the most widely accepted qualitative approaches (Denzin & Lincoln, 1994; Morse, 1994; Strauss & Corbin, 1990). More recently case study research has been added to this list as an alternative qualitative approach (Creswell, 2007; Zikmund, Babin, Carr, & Griffin, 2009). Drawing on frequent usage, systematic procedures of inquiry, and integrating different discipline perspectives such as social behavioural and health sciences, Creswell (2007) suggests five qualitative design approaches. These are “narrative research”, “phenomenology”, “grounded theory”, “ethnography”, and “case study”. Table 3.3 compares these five approaches using various dimensions.

Table 3.3 Types of qualitative research design approaches

	Narrative research	Phenomenology	Grounded theory	Ethnography	Case study
Main focus	Exploring the life of an individual	Understanding the essence of the experience	Developing theory grounded in data from the field	Describing and interpreting a culture-sharing group	Developing an in-depth description and analysis of a case or multiple cases
Type of problem best suited for design	Needing to tell stories of individual experiences	Needing to describe the essence of a lived phenomenon	Grounding a theory in the views of participants	Describing and interpreting the shared patterns of culture of a group	Providing an in-depth understanding of a case or cases
Unit of analysis	Studying one or more individuals	Studying several individuals that have shared the experience	Studying a process, action, or interaction involving many individuals	Studying a group that shares the same culture	Studying an event, a programme, an activity involving more than one individual
Stance of the researcher	Collaboration with participants Both the researcher and the participants will learn and change during the encounter.	Researchers block out, as much as possible, their own experiences	Researchers must set aside, as much as possible, their own theoretical ideas or notions.	Collaboration with participants. Final product is a holistic cultural portrait that incorporates the views of participants and as well as the researcher	Researcher draws interpretive inferences from a variety sources or observable objects to arrive at meaningful abstract concepts.

3.5 Case study research

3.5.1 Overview

Case study research is commonly applied in business research (Zikmund, et al., 2009) and is frequently found in psychology, sociology, political science anthropology, social work, education, and even in economics (Yin, 2003). Though there is some disagreement about case studies being a method, as opposed to a methodology, of qualitative inquiry (Stake, 2005), there is strong support for the latter view (Creswell, 2007; Denzin & Lincoln, 2005; Eisenhardt, 1989; Yin, 2003; Zikmund, et al., 2009). According to Yin (2003), case study research is applied when there is a need to understand complex social phenomena. As such, it enables the researcher to capture meaningful characteristics of real-life events of individuals, small groups, organisational and managerial processes.

Robson (2002) defines the case study as “an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (p. 178). This approach falls into the qualitative research domain, as case studies are capable of unfolding rich understanding about the research context. This strategy may include questionnaire surveys, interviews, observation, and documentary analysis. Unlike the grounded theory approach (Eisenhardt, 1989; Glaser & Strauss, 1967), the case study approach begins with ‘theory’ or ‘proposition’ development prior to the conduct of any data collection (Yin, 2003). Hence, clear research questions, a thorough understanding about the existing literature, and a sound theoretical underpinning aid immensely in defining the appropriate research design and data collection (Scapens, 2004) no matter whether the study is to be exploratory, explanatory, or descriptive (Yin, 2003). Further, the

same theoretical orientation also becomes the main vehicle for generalising the results of the case study (Yin, 2003).

3.5.2 Why case studies?

Yin (2003) recommends that the use of case studies should be based on three conditions: (a) the type of research questions; (b) the extent of control an investigator has over actual behavioural events; and, (c) the degree of focus on contemporary as opposed to historical events. Table 3.4 shows the situations where different research strategies are applied.

Table 3.4 Relevant situations for different research strategies

Strategy	Form of research question	Requires control over behavioural events?	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (2003, p. 5).

a) The research questions in this study ask the questions ‘why’ and ‘how’ and also investigate the experience of performing entrepreneurial motives. The research questions are broader and exploratory in nature, and entrepreneur research is a practice-based discipline (Gherardi, 2006). Thus, the methodological choice in the research has to reflect both the nature and objective of the study. Therefore, the

researcher believes that the entrepreneurial characteristics can be extensively captured by using an interpretivist type methodology such as case study (Neergaard & Parm Ulhoi, 2007).

b) The main focus of this study is on contemporary events, since entrepreneurial actions and the internationalisation process are still on-going in all the firms under study. Based on these preliminary conditions, case study research emerges as the best suited methodology for this study.

Whilst entrepreneurship research calls for the adoption of more qualitative approaches (Hindle, 2004; Rynes & Gephart, 2004), IB has always had a place for qualitative research (Piekkari & Welch, 2004). A prime example is the Uppsala model (Johanson & Vahlne, 1977) that emerged from the interpretivist paradigm, using case study research. Ghauri (2004) emphasises the suitability of case studies in international business research, due to the multiplicity of cross-border and cross-cultural settings where surveys and experiments have little flexibility in adapting. A recent review of articles published in four core IB journals over a 10-year period found case studies to be the most popular qualitative research strategy among IB scholars (Piekkari, Welch, & Paavilainen, 2009).

First, one primary advantage of a case study is that it enables the researcher to gain in-depth knowledge about the order of events as they occur or to identify the relationships among constructs, individuals, or entities (Zikmund, et al., 2009). Unlike historical analysis, case studies deal with multiple sources of evidence such as documents, artefacts, interviews, and observations with a view to providing an analysis of the processes involved in the phenomenon under study (Yin, 2003). This approach sheds a holistic light on the research objects (Piekkari & Welch, 2004), and provides more meaningful results about 'soft' inter-relational factors that

quantitative research may not be able to capture (Wright, 1994). For example, this study integrates knowledge-building processes and social networks and the time bound effect of such relationships; this requires probing into past events. Surveys do not offer such flexibility and mining for new data.

Second, case study research is a useful method when the area of research is relatively less known and the researcher is engaged in theory-building types of research (Ghauri, 2004). IE theory is still developing and the integration of other disciplines, such as strategic management and entrepreneurship, is a recent phenomenon (Peiris, et al., 2012). Furthermore, IE research has yet to be grounded firmly on a robust theoretical foundation. As such, case study research is particularly well suited to new research areas, and when new perspectives are needed (Eisenhardt, 1989).

The third aspect is that case studies allow the researcher to take a longitudinal and a flexible approach to investigating different types of research questions (Ghauri, 2004). The focus of this current research is centred on established firms. Therefore, this historical process has to be studied in depth in order to understand how these firms reached their present stage in the internationalisation process.

Fourth, the advantage of case studies is in the research context. Macro environmental factors, institutional environment, industry level relationships, and decision-making can be effectively studied using case studies (Ghauri & Holstius, 1996). This study focuses on a specific research context (Sri Lanka) that is new to both IE and IB literature. Sri Lanka as a country has undergone significant economic, social, and institutional changes since it gained its independence in 1945. Furthermore, the study focuses on an industry (tea) which has a history spanning

hundreds of years. Hence, case study research is more suited to capture the dynamics of these changes.

Fifth, this study involves many variables that encompass the cognitive aspects of the entrepreneur, individual judgement, and broad conceptual underpinnings such as knowledge, capabilities, networks and resources, which are difficult to quantify. They are directed towards understanding human experience, rather than seeking to identify cause and effect relationships (Lincoln & Guba, 2005; Stake, 1995). Hence, the use of quantitative methods such as survey or experiments is not appropriate for this study (Bonoma, 1985; Yin, 1994). Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki (2010), using a critical realist paradigm, focused on understanding causal explanations and retaining contextual richness by factoring in the combination of conditions found in the case rather than seeking to measure the net effect of an isolated variable (i.e., concerned with accounting for ‘how’ and ‘why’ events are produced) rather than looking at regularities commonly found in the ‘positivist’ research approaches.

3.5.3 Case study research design

Case study research is no different than any other empirical research. According to Yin (2003), research design is much more than a work plan; it involves five components that are essential to develop a robust case study research design.

1) The study’s questions, 2) its propositions, if any, 3) its unit of analysis, 4) the logic linking the data to propositions, and 5) the criteria for interpreting the findings.

Unit of analysis: This is one of the fundamental elements that define what the “case” is about (Yin, 2003). Therefore, the case, in effect, acts as the unit of analysis (Miles & Huberman, 1994). The definition of the unit of analysis depends on the way the

initial research questions have been defined (Yin, 2003). Miles and Huberman (1994) define “a ‘case’ as a phenomenon of some sort occurring in a bounded context” (p. 25). The principle of ‘boundedness’ plays a central role in case study research (Hood, 2009). As such, the case is considered as a ‘bounded system’ (Marriam, 1988), or a well-defined individual, or an entity a researcher wishes to explore (Hood, 2009), preferably supported by previous studies in order to compare the findings (Yin, 2003). The indeterminate boundary consists of context, concepts, sampling, and specific time frames which determine the limits of the data collection and analysis (Miles & Huberman, 1994). However, case study theorists agree that these boundaries and contexts are unclear, and so it is left to the researcher to determine these boundaries according to the research questions, theoretical propositions, and the scope of the researcher’s interests (Hood, 2009). Once the general characteristics of the research design are established, the next phase focuses on the specific designs for case studies.

Single vs. multiple case designs

Yin (2003) introduces four types of designs that look at variants of single and multiple case studies with different design situations with unitary or multiple units of analysis. These designs are illustrated as follows:

Types 1 and 2: Single-case (holistic and embedded designs)

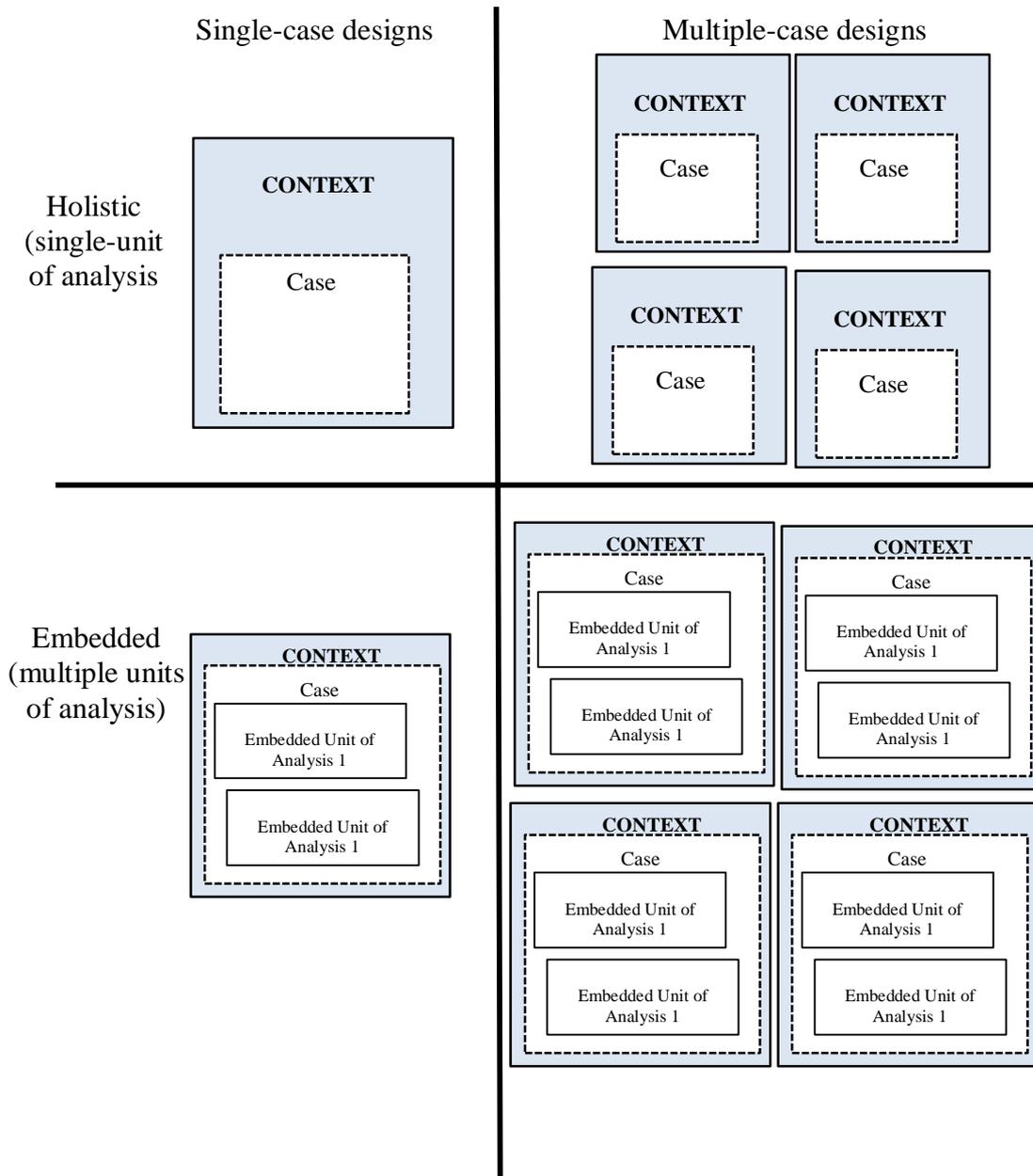
Single-case designs are considered appropriate in situations where a particular case is critical for testing a well formulated theory (Yin, 2003). A *critical case* that meets all the conditions can confirm, challenge, or extend the theory (Ghauri, 2004; Yin, 2003). There are several other circumstances where a single case is deemed appropriate, i.e., extreme/unique case, representative/typical case, revelatory case

(allowing the researcher to observe and analyse a phenomenon previously inaccessible to social science inquiry), and longitudinal case (studying the same single case at two or more different points in time) (Yin, 2003). When the same case involves more than one unit of analysis, it is called an embedded design (type 2).

Types 3 and 4: Multiple-case (holistic designs and embedded designs)

When the same study is extended to a number of individuals or organisations and compares them to draw conclusions, the design is called a multiple case design (Yin, 2003). The evidence of multiple cases is considered more compelling; it builds confidence in its findings, and, therefore, can be regarded as more robust than a single case design (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994; Yin, 2003). However, the robustness is achieved only by following a ‘replication’ design (Yin, 2003). The replication logic underlying the multiple case study is similar that applied to multiple experiments, where each case is selected non-randomly to (a) predict a similar result (a literal replication), or (b) predict contrasting results but for anticipative reasons (a theoretical replication). A graphical illustration of case study design is depicted in Figure 3.1.

Figure 3.1 Basic types of designs for case studies



Source: Yin (2003, p. 40)

Based on the research questions, context and existing theoretical contributions in the field, multiple-case studies with an embedded design were considered to be the most appropriate strategy for this research.

The initial step begins with theory development. Therefore, the conceptual context of the study, such as concepts, assumptions, and theories, plays a key part in the

research design (Maxwell, 1996). Supported by the theory, a case study researcher develops theoretical propositions and data collection protocol to guide the entire process of data collection and analysis (see Appendix A for case study protocol).

The case study protocol is more than an instrument; it increases the reliability of case study research and guides the researcher in carrying out the case study (Yin 2003). The protocol consists of: a statement of research objectives, and relevant readings; field procedures; case study questions; analysis plan, and case study reports.

The next step consists of the selection of cases with literal replication or theoretical replication, where each case's conclusions are then considered as the information needing replication by other individual cases (Yin, 2003). Yin (2003) further states that each individual case should indicate how and why a particular proposition was demonstrated or (not demonstrated).

Based on the research questions, context, and existing theoretical contributions in the field, multiple-case studies with an embedded design were considered as the most appropriate strategy for this research.

3.6 Conducting the research

3.6.1 Ethical considerations

This research was conducted in accordance with the guidelines provided by the University of Waikato's "Ethical Conduct in Human Research and Related Activities Regulations 2008" (The University of Waikato, 2008, pp. 111-121).

The ethics process involved obtaining approval from the Waikato Management School's Human Research Ethics Committee prior to collecting data from the

participants. At the time of initial contact “a Participant Information Sheet” was sent to the participants (see Appendix B) and it was given to the participants again at the time interview started. A “Consent Form” (See Appendix C) was given to the participants to read and sign, thus giving their consent to use the information provided by them for the purpose of the intended study.

3.6.2 Participant information sheet

As per the regulations, research participants were contacted prior to the commencement of the research. The participants were provided with a detailed description of the study explaining confidentiality, their rights to decline to participate in the research, the form in which the findings will be published, the duration and security of the data storage, their right to withdraw from the study, their right to access and correct personal information, and the process for withdrawing information they have provided.

3.6.3 Confidentiality

The participants’ identities were not to be explicitly mentioned in any published material. Any reference to a participant or his/her organisation was to be concealed using pseudonyms. Only the researcher knew the identities of the participants and had access to the research data. All information was stored on password protected electronic media. The research was deemed culturally safe and inoffensive to participants.

The following sections provide a detailed account of the three main phases of research process, under in line with the framework introduced by Yin (2003). These were to: a) define and design, b) prepare, collect and analyse, c) analyse and conclude.

3.7 Define and design phase

3.7.1 Develop theory

This study conducted a two-phase literature review in the IB, strategic management, marketing, and entrepreneurship research domains. The initial phase covered broad topics related to international entrepreneurship literature, followed by a more extensive review in the second phase that expanded after the first round of data collection. This review led to the development of a robust theoretical grounding upon which to conduct the research.

3.7.2 Research questions and propositions

The research propositions were developed iteratively along with literature review findings and initial round of data collection. The basic propositions were grounded on the first phase of the literature review. Subsequently, the findings of the first phase of the study and the second phase of the literature review resulted in a more refined conceptual model and propositions.

3.7.3 Unit of analysis

This study focuses on the entrepreneurial dynamics and the internationalisation process of developing country firms. More specifically, it looks at the individual and at firm level factors that affect this process. Therefore, the unit of analysis for this study consist of the *firm* and the *individual entrepreneur or the entrepreneurial team*. The entrepreneurship literature suggests that entrepreneurial opportunities are found by *individuals* and not by firms (Casson, 2003; Shane, 2003). To exploit these opportunities, an entrepreneur has to organise resources by means of developing a goal-oriented, boundary-maintaining system of collective activities, thus leading to

the creation of a *firm* (Shane, 2003). This line of thinking is in line with the prior research in entrepreneurship (Davidsson, 2005), but in contrast with prior research in internationalisation, which exclusively focused on firms, countries, and regions. At the individual level, this study captures the factors that influenced entrepreneurial opportunity identification such as entrepreneurial capacities, knowledge, and capabilities. At the firm level, the main case study captures the value creation aspect and its impact on the internationalisation process of the firm.

This study, therefore, takes the multiple-case study approach with embedded design/units of analysis (type 4). This approach allows the researcher to focus on specific phenomena in operational detail at both the individual (e.g., entrepreneurial capacities, knowledge, and learning) and firm level (Yin, 2003).

The method of selection of the case firms were based on a theoretical sampling approach. This approach enables in-depth exploration of constructs in different contexts. In theoretical sampling, the researcher deliberately selects both typical and atypical cases.

Table 3.5 depicts the differences between random and theoretical sampling. Since, case study research uses replication logic (similar to multiple experiments) rather than sampling logic where a typical criterion for selecting sample size becomes immaterial. However, for the purpose of literal replication where theory is subtle and in need of higher certainty, Yin (2003) recommends using six or more replications until the theoretical saturation is achieved, and at least two cases in order to complement the literal replication through theoretical replications. Hence, the researcher did not start with a predetermined number of cases to be selected; rather, the replication of findings based on the theoretical sampling determined the number of cases selected.

Table 3.5 Differences between random sampling and theoretical sampling

	Random sampling	Theoretical sampling
Goals	Generalisable propositions about a population	Transferable constructs about a research concern
Sample selection	Random (sample data is collected before analysis)	Deliberate search (sample selection goes along with data collection and analysis)
Methods for achieving goals	Representative sampling from that population	In-depth exploration of constructs in different contexts
Complexity	Single level (firm)	Multilevel (firms, business units, subsidiaries)
Methods for selecting sample size	Statistical power analysis	Theoretical saturation

Source: Adapted from Pauwels and Matthyssens (2004); Auerbach and Silverstein (2003).

3.7.4 Case selection criteria

The main focus of the case study research is to refine a theory not to test it (Eisenhardt & Graebner, 2007); hence, theoretical sampling is considered more appropriate than random or stratified sampling (Eisenhardt & Graebner, 2007). For this reason, the researcher deliberately searched for both typical and atypical cases with the multilevel unit of analysis to produce contrasting results, yet within predictable limits, so as to strengthen the emergent theory (Pauwels & Matthyssens, 2004). This study used the agriculture sector as the core industry of choice. Within this category, two subareas were identified representing a primary agriculture industry (tea) and an agriculture value-added industry (bakery and beverage). The final case sample included eight companies from the tea industry and three companies from the agriculture value-added sector. Of the eight tea case firms, four

have exhibited outstanding performance spanning more than a decade of operation. The other four represent emerging firms with a short history and with varying degrees of performance level. The three companies in the agriculture sector were selected as control firms to obtain reflective insights for cross-case findings of the typical cases of the tea industry.

Firm size and type

The main objective of the study was to capture the entrepreneurial dynamics of firms operating in a low-tech, mature export industry representing the agriculture sector.

Case selection was guided by several criteria. First, all the firms had to be six years or older to be included in the study. This condition was to ensure that the firms had endured through the threshold stage of new firm survival (Audretsch, 1991; Shepherd, 1999). Second, each firm had to market its own brand of product with a value-added component (such as packaging and new product development). Generic commodity exporters (e.g., non-branded bulk tea exporters) were excluded.

The level of value addition was selected as a criterion to target and categorise two types of export firms. According to the IE literature, a BG firm is identified not only in terms of the speed and extent of its internationalisation but also its capability in developing value-added product and services (Rennie, 1993). Hence, the first type consists of a firm which achieved 50 per cent or above exports revenue using value-added products (e.g., selling branded teas); such firms were classified as *traditional born global* (TBG) firms. Second, if a firm achieves 49 per cent or less in exports revenue from value-added products such firms were classified as *traditional exporters* (TE). The three control firms were classified as *domestic focus* (DF)

firms, since their main market was domestic even though they had value-added products under their own brand names.

Even though BG firms are identified in the literature based on their internationalisation speed and extent, there are no commonly accepted parameters for both these identifiers. IE scholars have used a timeframe ranging from 2 years to 15 years (Dib, et al., 2010) and extent (measured using Foreign Sales to Total Sales ratio) ranging from 25 per cent to 75 per cent (Peiris, et al., 2012).

Third, by following the suggestions made by Peiris et al., (2012), this study targeted export firms that have reached international markets within 6 years of their inception (Chandra, Styles, & Wilkinson, 2012; Evers & O'Gorman, 2011; McDougall, et al., 2003) and earned not less than 70 per cent of their revenues (Evers, 2010; Moen & Servais, 2002; Rialp, Rialp, Urbano, & Vaillant, 2005) from foreign markets.

Fourth, the firms targeted all had to be private limited companies. This condition is important in screening out government, public and/or multinational intervention in the firm's decision making. Also being a private limited company accurately represents the nature and structure of medium and large organisations in the country and, in particular, in the tea industry. All the firms needed to be owned and created by Sri Lankan entrepreneurs; hence, they will not be affected by foreign decision making influences and will reflect an organic growth of the company. As such, the interviews were targeted among key executives (i.e., founders, CEO/directors/senior managers) who are knowledgeable about the history of the firm and internationalisation process.

The sample consisted of medium (1) to large (10) firms. Sri Lanka does not have a nationally accepted definition to differentiate SMEs from their larger counterparts (Task Force for Small Medium Enterprise Sector Development Program, 2002). The most often used criteria when measuring size by employment is: micro <5 employees, small 5-29, medium 30-149, and large >150 employees (Task Force for Small Medium Enterprise Sector Development Program, 2002). This study adopted the above definition and focused mainly on the large organisations, in order to address the gap identified in the literature review. A summary of the selection criteria is given in Table 3.6.

Table 3.6 Firm selection criteria

Criteria	TBG	TE	DF
Age	>6 years		
Size	Firms >50 employees (medium/large)		
Focus	Exports	Exports	Domestic
Time to internationalise	<6 years	<6 years	>6 years
Export value addition	≥50%	≤49%	N/A
FSTS	>70%	>70%	<25%
Ownership	Private	Private	Private
Number of firms included	4	4	3

Industry focus

The existing IE research has consistently given widespread attention to high-tech and ICT industries, almost neglecting the agriculture, trading, and service sectors (see Chapter 2). This study intends to fill this gap by focusing on the agriculture sector. According to the Central Bank of Sri Lanka, export trade in goods is

classified into three major categories: agricultural exports, industrial exports, and mineral exports. Trade in services consists of transportation, travel, communications, computer and information, construction, and insurance services. The cases selected for final analysis consisted of eight firms from the tea exporting sector (agricultural exports) and three firms from the agriculture value-added sector.

Approaching the target population

Tea sector: The sample was identified using the Colombo Tea Traders Association Annual Report (association established in 1894). This report is up-to-date and is published by the Ceylon Chamber of Commerce (CCC) where the world's largest single origin tea auction is run and administered. It contains 156 active traders in the tea auction, making it an invaluable source for selecting the tea export firms. The report also gives the breakdown value addition by companies, which provides a clear guideline to identify and categorise TBG and TE firms. Finally, eight companies out of 30 leading tea exporters were included in the study. The selection was guided by the literal and theoretical replication of the case findings.

Agriculture value-added sector: Three cases were selected from the food-manufacturing sector to give reflective insights into the main cases. These firms own well-known brands in Sri Lanka with a top-of-the-mind recall rate among Sri Lankan consumers. They have won numerous awards for their achievements (Awarded by Sri Lanka Institute of Marketing, Export Development Board, and National Chamber of Exporters) over the years and are considered as market leaders in their respective product ranges (Media Services Publication, 2009, 2010).

In accordance with the assurance of strict confidentiality given to each participating interviewee and consistent with the requirements of ethical research at the University of Waikato, the list of the companies or any specific information pertaining to the participating firms is not included in the main text or as an appendix.

Though there were specific guidelines and information pertaining to locating the cases, the researcher did not begin the research with a predetermined number of cases to be selected in mind. Instead, this final selection of cases was decided upon through achieving theoretical saturation, as both theoretical and literal replication were needed to get a holistic picture of the phenomenon under study.

Once the potential firms were shortlisted, an introductory letter was sent targeting the founder or CEO of the firm (refer to Appendix D). The letter clearly stated the purpose of the study, its importance, and how information would be collected and used. Further, it also stated the confidentiality rights of the interviewee with regard to information disclosure. As the research progressed, the researcher then contacted 30 (based on volume, value, and value-added exports (branding)) tea exporting firms in Sri Lanka, eight of which agreed to participate in the study. Subsequently, an email was sent to all the participants confirming the time and date of the meeting, along with the participant information sheet that provided more specific details about the study. The cases include eight born global firms, two gradually internationalised firms and one re-internationalised firm.

3.7.5 Sources of data collection

One defining feature of case study research is that it gathers evidence from multiple sources or through what is termed ‘triangulation’ (Ghauri, 2004; Pauwels &

Matthyssens, 2004). Triangulation can operate within and across research strategies. This term which originated in quantitative studies can be traced back to the work of Webb, Campbell, Schwartz, and Sechrest (1966), and Cambell and Fiske (1959) (Bryman, 2001; Ghauri, 2004). The main advantage of triangulation is that it increases the credibility and, therefore, the trustworthiness of the qualitative study (Bryman, 2001) which is similar to assessing the validity and reliability of a quantitative study (Guba & Lincoln, 1994). It enhances confidence in the findings by providing a complete, holistic and contextual representation of the object under study (Ghauri, 2004). As such, it provides strong evidence to support and confirm the findings by reducing key informant biases, memory failure and incomplete/inaccurate recalling of past events (Kumar, Anderson, & Anderson, 1993; Pauwels & Matthyssens, 2004).

There are numerous sources of data collection available for the qualitative researcher. Yin (2003) refers to six commonly used sources of evidence in case study research: documentation, archival records, interviews, direct-observation, participant-observation, and physical artefacts.

Data for this study were collected through (1) in-depth interviews, and supported by, (2) supplementary expert interviews, factory visits, and market visits, (3) review of publically available secondary data sources (newspaper articles, trade magazines, company brochures, company website, and media releases).

3.7.6 Choice of interview

Qualitative interviews are perceived as “conversations with a purpose” (Burgess, 1991, p. 102), and have been described as the “gold standard of qualitative research” (Silverman, 2000, p. 51). Interviews serve a number of purposes for a qualitative

researcher. Interviews are particularly well suited for exploratory studies, as they enable the researcher to obtain unique information that may be too complex to investigate through quantitative means (Burman, 2002), to discover new relationships or situations, to develop deeper rapport with informants and to aggregate multiple views from many persons (Daniels & Cannice, 2004; Stake, 2010).

A qualitative interview is less structured than, for example, a questionnaire survey, and there is greater interest in the interviewee's point of view. It tends to be flexible and the interviewee may be contacted several times to gain rich, detailed answers (Bryman, 2001).

In general, there are three types of interviews: structured interview, open interview, and semi-structured interview (Richards, 2009). Structured interviews seek specific information, and are more like a spoken questionnaire. Open interviews, also known as 'in-depth' and 'unstructured interviews', are at the opposite end of the continuum. These interviews are advantageous when there is a strong relationship between the interviewer and the respondents and in situations where the direction of the interview is determined by the respondent's contribution (Richards, 2009). Semi-structured interviews are more popular than the other two types, but heavily influenced by both the other types. Priority is given to the respondent, but within the framework provided by the 'interview guide' (Richards, 2009). Therefore, the interviewer allows the interview to develop into new areas, while having a clear picture of the topics that need to be covered (see Appendix A for interview guide).

This study adopted a semi-structured interview method for collecting primary data using key informants from each firm. These were the founders, CEOs, and senior managers (when the other two parties were not available for further clarifications).

The interview covered areas related to the interviewees' personal background relevant to the: pre-founding stage, new venture creation, and international opportunity recognition and exploitation, domestic and international market development process, perceived capabilities, prior knowledge, network ties, learning and development of capabilities, and ways of creating value.

There was minimal intervention from the interviewer. Interviewees were given the freedom to talk freely and to let the interview stray into the areas that interest them the most. However, the interviewer directed their attention to key areas, when needed. This approach provided rich insights into their experiences and events because they were able to recall incidents easily when there was a natural flow.

Although, the Sinhala and Tamil languages are considered as the official languages of Sri Lanka, English is widely used for official and commercial purposes and spoken by at least 10 per cent of the population. In particular, tea having been an export commodity for over century and the strong British influence which governed the trade inherently put English as the first language of choice even today. Therefore, irrespective of the industry, it is customary to start your conversation in English when you meet either public or private sector managers.

All the interviews in this study were conducted in the English language and transcribed verbatim. The first interview round was conducted between April – August in 2010 and the second round was conducted in December 2011. This gap in time enabled the interviewer to reconfirm the historical data and also to focus on fresh insights into the study's propositions. Each interview lasted one to two hours and the transcript was given to the respondents for approval. Finally a consent form was signed to release the company information in accordance with the guidelines of the University of Waikato Ethics approval process.

To ensure the *reliability* of the interviews, the researcher was careful not to impose his own beliefs and frame of reference through the questions that were asked. Building trust, confidence, and credibility at the initial stages of the interview were considered critical in getting valuable information. Therefore, the researcher (1) thanked the respondents for agreeing to the meeting, (2) introduced himself, his affiliation, background, the research purpose, its interview themes, and how the study will be useful to academia, respondents and practitioners, in order to create an atmosphere where the respondent felt comfortable about parting with information.

Further, (3) the previously agreed right to confidentiality and anonymity was reiterated by stating that nothing said by the participant would be attributed to him/her without first obtaining permission. (4) All the interviews were digitally recorded after obtaining the participant's permission and explaining why recording is advantageous for both the parties. The researcher also (5) collected as much information as possible about the organisation, its founders and current developments by going through secondary data sources prior to contacting the interviewees; this strategy conveyed to the respondents that the researcher was knowledgeable about the company and its situational context, and helped to create a positive atmosphere and enhance researcher credibility in the eyes of the research participants. A summary of the interviews is given in Table 3.7.

Table 3.7 Interview summary

Company	Interviewee	Number of interviews	Total hours
C01	Senior Manager -1	2	3
	Senior Manager -2	1	3
	Senior Manager - 3 (New Zealand)	1	2
	Chairman (Founder)	2*	-
C02	Senior Director	2	3.5
C03	Managing Director (Founder)	2	4
C04	Director (Family member)	2	2
C05	Managing Director (Founder)	2	4.5
C06	Managing Director (Founder)	2	3
C07	Managing Director (Founder)	1	2
	Senior Director (Partner)	2	4
C08	Managing Director (Founder)	2	2
C09	Senior Director (Family member)	1	0.5
	Senior Manager -1	2	2
	Senior Manager – 2	1	1.5
C10	Senior Manager -1	2	2
	Senior Manager -2	1	1
C11	Managing Director (Founder)	2	3
	Expert interviews	6	4
Total		36	49 hrs

* Secondary data sources (Media interviews)

Six expert interviews were carried out with two multinational company CEOs, and two Chamber officials (National Chamber of Exporters, and Chamber of Commerce), one tea broker, and one government official (Sri Lanka Tea Board). These interviews lasted 30-45 minutes and provided valuable information on firm

selection, the auction system, current industry status, international branding, and value creation opportunities.

3.7.7 Other primary data sources

Direct observation often unravels additional information about the context or the phenomenon being studied (Yin, 2003). Apart from the above mentioned interviews, informal observations were carried out by the researcher by visiting the manufacturing units, storage facilities, product development units, and by visiting supermarkets (in Sri Lanka and New Zealand) to gather information related to product availability, visibility, pricing, and promotional aspects. Field notes were taken during these visits to record key points that were considered as useful and important, such as, price comparisons, production processes, and the physical environment in the work places.

3.7.8 Secondary data sources

Documentation is important and plays an explicit role in case study research because it is capable of substantiating and augmenting the evidence from other sources (Yin, 2008). Secondary data sources are easily accessible, available at a low cost, and capable of providing historical insights (Hodder, 2003). They can also provide clues worthy of investigation to identify new questions and inferences (Yin, 2008). However, these materials must be critically appraised since they have been developed for specific purposes and audiences. Also they may contain errors when the materials were published (Burgess, 1991). Therefore, the correct interpretation of these documents must be guided by a clear purpose in relation to the study conducted. Some common strengths and weaknesses of documentation are given in the Table 3.8.

This study examined company specific (made by the company) documents such as product brochures, catalogues, newsletters, and company websites. It also included documents that are independently produced, such as newspaper articles, journal articles, government publications, reports, and websites. These were primarily used for contextualising information, i.e., to construct a specific version of an event from a broader perspective.

Table 3.8 Strengths and weaknesses of documentation

Source of evidence	Strengths	Weaknesses
Documentation	Stable – can be viewed repeatedly Unobtrusive – not created as a result of the case study Exact – contains exact names, references, and details of an event Broad coverage – long span of time, many events, and many settings	Retrievability – can be low Biased selectivity – if collection is incomplete Reporting bias – reflects (unknown) bias of author. Access – may be deliberately blocked

Source: Adapted from Yin (2003, p. 86).

3.7.9 Research quality considerations

Measuring “reliability” and “validity” in qualitative research has been the subject of extensive debate in the literature (Morse, Barrett, Mayan, Olson, & Spiers, 2002). Some researchers adopt a positivistic stance to develop criteria for measuring validity focusing on internal/external reliability and validity, similar to quantitative research (Kirk & Miller, 1986; LeCompte & Goetz, 1982), whereas others specify different terms and ways of establishing and assessing quality in qualitative research (Guba & Lincoln, 1989, 1994; Lincoln & Guba, 1985; Rubin & Rubin,

1995). Guba and Lincoln's (1989) seminal work proposes two primary criteria for assessing qualitative study: *Trustworthiness* and *authenticity*. "Trustworthiness" contains four aspects: credibility (which parallels internal validity), transferability (which parallels external validity), dependability (which parallels reliability), and conformability (which parallels objectivity) (Bryman, 2001). No matter what the verification strategy is, Morse et al. (2002) argue that "strategies for ensuring rigour must be built into the qualitative research process *per se*. These strategies include investigator responsiveness, methodological coherence, theoretical sampling and sample adequacy, an active analytic stance, and saturation" (p. 9).

Similarly, Maxwell (1996) suggested that validity is a component of the research design that is used for ruling out the threats of alternative explanations. Unlike the quantitative researcher who attempts to design in advance controls that will deal with both anticipated and unanticipated threats to validity, the qualitative researcher rules out most validity threats after the research has begun, using evidence collected during the research, and using a verification process that is woven into every step of inquiry to make the alternative explanations implausible (Kvale, 1989).

The criteria selected for this study are primarily based on Yin's (2003) approach to judging the quality of research design. Since case study research is one form of empirical social research, Yin (2003) recommends using four commonly used tests in social science research.

1. Construct validity: identifying correct operational measures for the concepts being studied.
2. Internal validity (for explanatory or causal studies only and not for descriptive or exploratory studies) – establishing a causal relationship,

whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships.

3. External validity: defining the domain to which a study's findings can be generalised.
4. Reliability: demonstrating that the operations of the study – such as the data collection procedures – can be repeated to produce the same results.

Yin's (2003) internal validity falls into the positivistic approach and is mainly applicable to explanatory case studies where an investigator is trying to explain a causal relationship between constructs. This study is explanatory in nature and does aspire to identify causal relationship between variables. Therefore, internal validity is applicable to the present study. The views of Guba and Lincoln (1989), and the verification strategies introduced by Morse et al. (2002), were integrated into these tests to ensure rigour.

In order to establish construct validity (credibility) as suggested by Yin (2003), this study used multiple sources of evidence from interviews, documentation, and observation in order to facilitate data triangulation. In addition, the interviews were conducted with multiple respondents (where applicable) and within the same company on the same issues. Maintaining a chain of evidence was accomplished using the NVivo 9 software. This software was used as the case study database, where it linked interview transcripts, field notes, and other relevant documentation. This approach ensured that raw data were securely linked to relevant areas of the case, and that citations were properly assigned to the relevant portion of the case study database. A draft case study report was sent to the participants for their

comments and approval. This draft ensured that there is a good correspondence between the findings and the perspectives and experiences of the participants.

External validity was achieved using the replication logic. The literature review chapter laid the foundations for case selection (representing various industries, born global, gradual and re-internationalised firms) and the development of propositions. The contextual uniqueness and the significance of the internationalisation process provided rich accounts of details of the phenomenon under study, which made every case a 'whole' study. These individual case descriptions provided an impetus for cross-case analysis that led to a conceptual framework of the internationalisation process, ultimately making the case studies themselves into a form of generalisation.

The goal of reliability is to minimise the errors and biases in a study (Yin, 2008). In order to achieve this goal, the researcher used an 'auditing' approach (Guba & Lincoln, 1989), where complete records of all the interview transcripts, field notes, case study protocol, data analysis (coding and evolution of codes) were kept in chronological order, using NVivo 9 software as well as hard copies.

The research outcome was a result of an iterative process where the researcher made a conscious effort to capture the lived experiences of the participants and to minimise the influence of his personal values and theoretical inclinations. Table 3.9 depicts the research quality considerations and case study tactics used in different stages of the study.

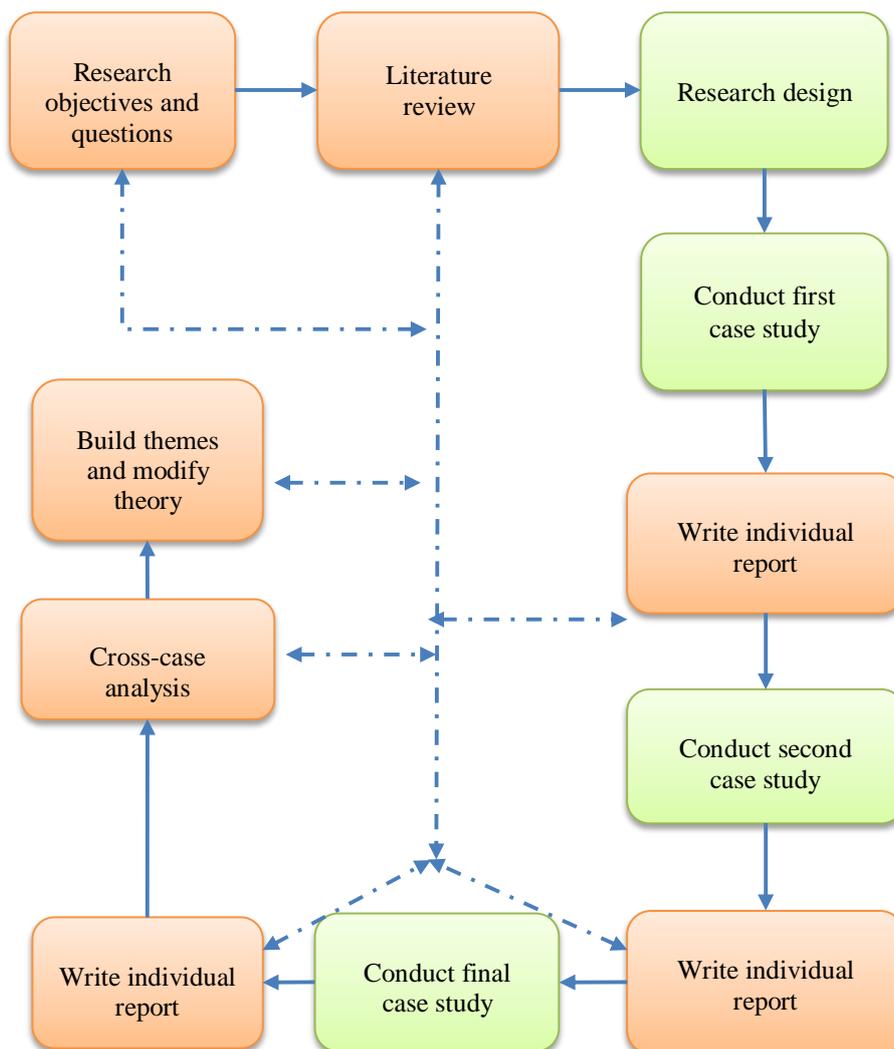
Table 3.9 Research quality considerations

Tests	Case study tactic	Phase of research
Construct validity (credibility)	Use multiple source of evidence (triangulation)	Data collection
	Establish chain of evidence	Data collection
	Have key informants review draft case study report (respondent validation)	Composition
External validity (transferability)	Use replication logic (thick description – rich accounts of the detail of a case study)	Research design
Reliability (dependability)	Use case study protocol	Data collection
	Develop case study database	Data collection
Conformability (objectivity)	Control for researcher influence in terms of personal values, theoretical inclinations	Data collection
Verification strategies	Ensure congruence between research question and the components of the method.	Research design
	Select participants who best represent or have knowledge of the research topic	Research design
	Collect and analyse data concurrently; ideas emerging from data are verified and reconfirmed with data already collected.	Data collection and analysis

Source: Abridged from Yin (2003); Lincoln and Guba (1985); Guba and Lincoln (1989).

The data collection and analysis were guided by the replication approach suggested by Yin (2003). Figure 3.2 depicts the procedure followed by the study's author. As indicated earlier, the researcher conducted an exhaustive literature review to determine the major gaps in the IE literature. The data collection process started with selecting individual cases and writing a comprehensive case description of each firm before proceeding to the next case. This technique enabled the researcher to focus on areas that the previous case failed to address. The process became a highly iterative one where the researcher had to go back and forth to compare data, find missing links, and contrast the findings with the literature. This process is depicted in Figure 3.2.

Figure 3.2 The replication approach to multiple-case studies



3.8 Data analysis

Qualitative data analysis is one of the least developed and difficult aspects of doing case study research (Ghauri, 2004; Yin, 2003). Unlike quantitative research where the main issue is achieving 'reliability', qualitative research focuses on understanding 'authentic' experiences of people. As such, 'authenticity' takes precedence over 'reliability' in qualitative inquiries (Ghauri, 2004).

In general, there are two main approaches to analysing qualitative data: the inductive approach and the deductive approach (Saunders, et al., 2003). The inductive approach aims at comprehending the meaning of text or action and uses reflections to let theory emerge out of data analysis using analytic strategies such as analytic induction, grounded theory, and narrative analysis (Bryman, 2001). The deductive approach commences with existing theory by formulating the research questions, objectives, propositions, and a conceptual framework using strategies such as, pattern matching and explanation building (Yin, 2003). In this approach, data categories and codes to analyse data are derived from the theory and the conceptual framework developed by the researcher (Saunders, et al., 2003). However, these inductive and deductive strategies are not mutually exclusive; it is possible to combine these strategies to analyse qualitative data (Saunders, et al., 2003).

This study adopted the deductive approach recommended by Yin (2003) to develop the conceptual framework. First, by adopting a general analytic strategy suggested by Yin (2003), the case study development was guided by relying on theoretical propositions that were developed after an extensive review of the IB, IE, strategic management, and entrepreneurship literatures. These initial propositions helped develop original objectives and the research questions which guided the data

collection process and focused attention on certain data and the decision/ choice to ignore other data. For example, *prior knowledge* has been identified in the literature as an antecedent to the opportunity development process. By developing an initial proposition related to prior knowledge, the researcher was able to quickly identify the incidents that related to this concept. Second, individual case descriptions were developed using specific analytical techniques suggested by Ghauri (2004) and Yin (2003); these were extended to cross-case synthesis. These techniques are summarised in Table 3.10.

Table 3.10 Case study analysis techniques

Techniques of case study analysis	Explanation
Chronologies	Narratives of the events that took place, organised by date
Coding	Sorting data according to concepts and themes
Clustering	Categorising cases according to common characteristics
Matrices	Explaining the interrelationship between identified factors
Decision tree modelling	Grounding a description of real-world decisions and actions coherently by using multiple cases
Pattern matching	Comparison between a predicted and an empirically based pattern. Pattern model emerged from the single cases (within-case) are compared to each other (literal and theoretical replication across cases) and to pattern models described in the extant literature (analytical generalisation)

Source: Adapted from Ghauri (2004); Pauwels and Matthyssens (2004).

Chronologies: This is the first activity that needs to be done when disaggregating the mass of qualitative data. This initial categorisation arranges data in

chronological order and cuts the data into manageable proportions. The entrepreneurial and the internationalisation process is a time-bound process; therefore, it is important to identify the critical incidents and key actors, and segregate them into identifiable time gaps to track the phenomenon over time. These chronological data were gathered and tabulated iteratively by consulting with the respondents during two to three rounds of in-depth interview sessions and also using telephone interviews. This approach enabled the respondents to fill in the missing gaps and recall past events easily, and to develop a detailed event map of the firm's progression to its current status. The chronology of events was incorporated in individual cases in the form of a narrative. A brief example of event mapping is given in Table 3.11.

Table 3.11 Event mapping sequence for C01

Event	Time	Description
E1	1950	Started career as a trainee tea taster and was sent to England for higher training. Trained in all aspects of tea from making, blending to branding and selling.
	'52-'54	After returning, he couldn't find a job in the tea trade and started work as an inspector in an American oil company.
	'55-'61	Joined a British tea trading company and within a few years became the managing director.
E2	'62	Decided to start his own venture and started exporting bulk tea to Russia, Australia, and New Zealand.
	'70-'80	Substantial revenue was generated from selling bulk tea.
	'79-'80	Set up the first tea bag printing and packaging company in Sri Lanka, collaborating with another colleague.
E3	'81	Incorporated the present company focusing only on value-added branded tea products.
	'83-'84	Imported the first tea bagging machine into Sri Lanka.
E4	'88	Launched the first producer-owned tea brand in the world by entering Australia.
	'91	Launched the products in New Zealand.
	'91-'00	Rapidly expanded into other regions of the world.

Coding: The second stage sorted the data into meaningful categories according to concepts and themes. According to Strauss and Corbin (1998), these categories can emerge from data itself (from the text, repeating ideas, themes, theoretical constructs, and theoretical narratives (Auerbach & Silverstein, 2003), through participants, and existing theory. Sorting of this data is typically done through a process called ‘coding’, where the researcher identifies, arranges, and systematises the ideas, concepts, and categories uncovered in the data (Given, 2008). This process entails the researcher retrieving, interpreting, organising quickly, and clustering data to draw conclusions (Miles & Huberman, 1994) and in relation to research questions and frameworks (Ghauri, 2004).

The coding process was carried out using the NVivo 9 (QSR International, 2009) software. This process allowed the researcher to highlight texts and passages in the document in different colours. Once a specific theme or a code was identified in NVivo 9 the researcher was able to create a ‘node’ (in NVivo terms) representing each of these categories. The software further facilitated data comparison by creating a *data index*, where the nodes act as reference points to the whole source document, as well as other secondary data sources. NVivo 9 assists in creating the codes and mapping the interaction graphically to identify the integrated relationships of main categories (the coding process is explained in detail in the next section).

Pattern matching: This is one of the most desirable techniques in case study research for analysing cross-cases (Yin, 2003). It is a process where several pieces of information or empirically based patterns are compared with predicted (theoretical predictions or conceptual framework) ones. If the patterns correspond with the empirical findings, then the internal validity is strengthened thereby

leading the researcher to accept the research propositions, or if the findings are not systematic, the technique leads to the rejection of the propositions.

This matching was done using a mixture of specific analytic methods such as matrices, data clustering, and identifying systematic patterns. Using the initial conceptual framework as the foundation, the researcher developed and refined the model as the analysis progressed. First, the eight firms in the tea industry were analysed individually one after the other in order to identify similar results (i.e., literal replication). For example, after analysing the different factors that influenced opportunity identification and development (prior knowledge, creativity, self-efficacy, networks, and access to resources), the researcher became confident about the factors that affected opportunity development in these firms. After analysing the fifth firm, a similar pattern emerged from that found for the rest of the tea firms. The addition of case firms in other industries that represented de-internationalised/re-internationalised and gradually internationalised firms provided rich insights into how firms in different industries internationalised based on their value creation capabilities. All the firms exhibited that entrepreneurial intention, the nature of opportunity, and value creation capability were significant factors in determining the internationalisation path of entrepreneurial firms and factors that affected these conditions to change. As such, the study was able to achieve theoretical replication.

The next section provides a description about how this analysis was carried out with the support of NVivo 9 software.

3.8.1 Qualitative data analysis using NVivo 9

NVivo 9 software assists the researcher to organise and analyse unstructured information, by providing a workspace at every stage of the project. This software is specifically developed for qualitative research. It uses a Microsoft user-interface and enables the user to import and/or connect any type of data, including Word documents, PDFs, audio files, spread sheets, web pages, and pictures. However, apart from organising and highlighting the connections of data, NVivo 9 provides little assistance in the critical analysis of data. It is the responsibility of the researcher to identify themes, interpret connections, and derive meanings from such themes.

The uploaded data is then categorised systematically under ‘sources’. For example, all the information (interview transcript, company brochures, magazines, and web pages) related to the first company was included under a source named C01. The next step involves exploring the information in each of these sources and coding them as per the theoretical and emerging themes by creating ‘nodes’. Nodes are essentially containers of themes; a node can contain a parent node and child nodes. For example, under open coding of the parent node *capability*, more specific child nodes can be included, such as *common sense*, *conceptual*, *gut feeling*, *social* and *technical*. A node structure explaining this coding is depicted in Figure 3.3.

Figure 3.3 Screen shot of the NVivo 9 workspace- Node structure

Name	Sources	References	Created On	Created By	Modified On	Modified By
Contemplating	8	11	1/02/2012 12:28 p.m.	IKP	12/09/2012 12:5	IKP
Risk analysis	10	18	1/02/2012 12:33 p.m.	IKP	12/09/2012 12:5	IKP
Access to resources	15	42	1/02/2012 11:44 a.m.	IKP	12/09/2012 10:3	IKP
Advertising	1	2	4/07/2012 5:52 p.m.	IKP	2/08/2012 4:19	IKP
C01-DLM	25	638	12/08/2012 10:13 a.m.	IKP	4/09/2012 10:05	IKP
C02-TTG	3	3	12/08/2012 10:14 a.m.	IKP	12/08/2012 10:1	IKP
C03-MLS	4	38	12/08/2012 10:15 a.m.	IKP	12/08/2012 10:1	IKP
C04-HRG	2	2	12/08/2012 10:15 a.m.	IKP	8/09/2012 2:06	IKP
C05-IMT	2	2	12/08/2012 10:15 a.m.	IKP	12/08/2012 10:1	IKP
C06-HSN	2	2	12/08/2012 10:16 a.m.	IKP	12/09/2012 10:3	IKP
C07-AMZ	4	10	12/08/2012 10:16 a.m.	IKP	3/09/2012 11:14	IKP
C08-GEM	2	2	12/08/2012 10:16 a.m.	IKP	12/08/2012 10:1	IKP
C09-MBM	6	9	12/08/2012 10:17 a.m.	IKP	12/09/2012 12:0	IKP
C10-CBL	6	83	12/08/2012 10:17 a.m.	IKP	20/09/2012 8:00	IKP
C11-PPL	1	1	12/08/2012 10:17 a.m.	IKP	3/09/2012 1:48	IKP
Capability	26	130	1/02/2012 11:38 a.m.	IKP	9/09/2012 12:48	IKP
Common sense	14	23	2/02/2012 9:13 a.m.	IKP	6/09/2012 10:34	IKP
Conceptual	9	14	1/02/2012 11:39 a.m.	IKP	12/09/2012 10:3	IKP
Gut feeling	10	15	2/02/2012 9:12 a.m.	IKP	12/09/2012 12:5	IKP
Social	19	44	1/02/2012 11:39 a.m.	IKP	12/09/2012 12:5	IKP
Technical	15	31	1/02/2012 11:39 a.m.	IKP	12/09/2012 12:5	IKP
Collective decision making	9	12	1/02/2012 10:33 p.m.	IKP	12/09/2012 10:3	IKP
Commitment	3	7	24/05/2012 9:57 p.m.	IKP	2/08/2012 4:19	IKP
Competition	1	2	23/05/2012 9:22 p.m.	IKP	2/08/2012 4:19	IKP
Credibility reputation brand valu	5	5	8/02/2012 10:28 a.m.	IKP	2/08/2012 4:19	IKP
Culture	1	2	1/06/2012 10:59 a.m.	IKP	2/08/2012 4:19	IKP
Customer focus	2	4	24/05/2012 10:02 p.m.	IKP	2/08/2012 4:19	IKP
Decision making	1	3	4/07/2012 6:13 p.m.	IKP	2/08/2012 4:19	IKP
De-internationalization	3	7	1/02/2012 10:02 p.m.	IKP	3/09/2012 11:50	IKP
Economic conditions	8	10	1/02/2012 10:49 p.m.	IKP	3/09/2012 11:36	IKP
Entry Modes	0	0	1/02/2012 10:46 p.m.	IKP	2/08/2012 4:16	IKP
Acquisition	2	5	1/02/2012 10:46 p.m.	IKP	10/02/2012 10:0	IKP
Distributors	8	9	1/02/2012 10:46 a.m.	IKP	12/09/2012 10:3	IKP

3.8.2 Data coding

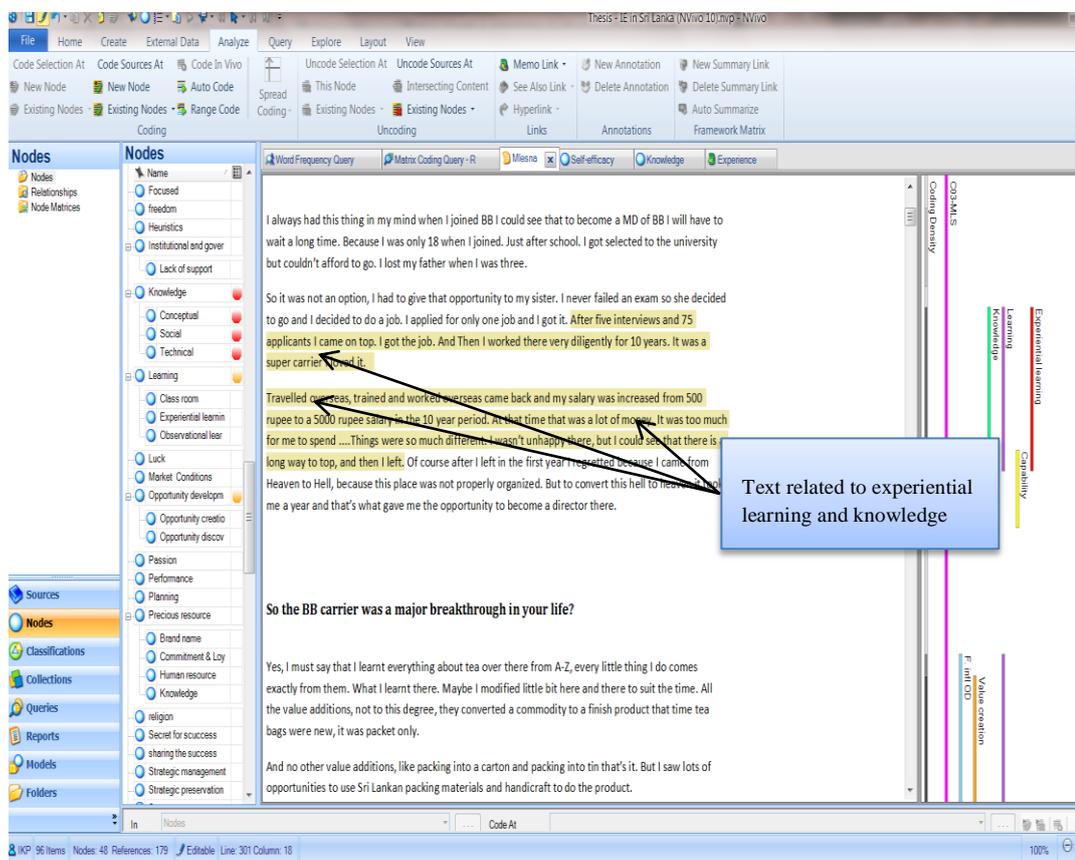
The NVivo 9 software provides an efficient way to categorise and code data by creating nodes for each of the topic themes, people, or entity. NVivo 9 offers different methods of coding (auto-coding, query-based coding, and manual coding).

The first two methods are used when there is a large source of data such as a mail survey. This study uses a smaller number of sources primarily consisting of semi-structured open-ended questions, and answers which require a closer analysis of data using manual coding methods. A researcher can code at an existing node (such as the node 'creativity' which was derived from the literature) or create a new node by coding in vivo (a new theme emerging from the study).

Once data is coded into nodes, NVivo 9 provides a clear picture of where and what is coded in each of the sources. Figure 3.4 shows how coding is done. When a

particular text provides information about a node already created, then that part of the text is simply dragged and dropped into the corresponding node. On the right side, colour coding stripes are shown to indicate what is coded in this area of text. As such, there can be more than one node in a given area of text depending on the context. In this case, the selected text is coded under *experiential learning* and *knowledge*.

Figure 3.4 Using NVivo for coding themes



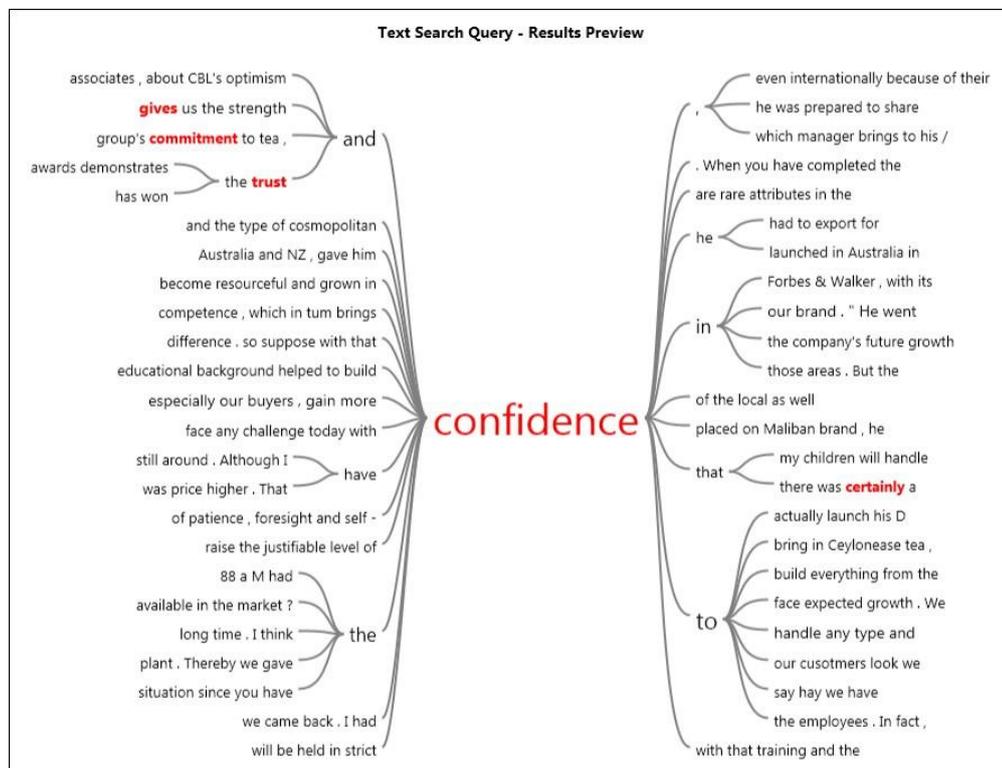
3.8.3 Data exploration

Once the coding is completed (it is a reiterative process, so new themes are added to the nodes as the process continues), NVivo 9 is capable of supporting different types of queries to help find and analyse words and phrases. A 'Text Search' query finds all occurrences of a specific word or a phrase or even can be extend to search for synonyms. For example, a text search query of the word 'knowledge' returned

a result of 211 references after searching 33 sources. Text search query also provides a graphic illustration of how a particular word is associated with the main content (see Figure 3.5 below).

The “Word Frequency” query lists the most frequently occurring words in the sources. This function is helpful in identifying new themes, supporting the existing themes, and extending the analysis to include exact words or broaden the search to find the most frequently occurring concepts.

Figure 3.5. NVivo 9 query functions - Word tree



The result of a word frequency query about ‘prior knowledge’ is illustrated in Figure 3.6 in the form of a tag cloud. It provides a graphical illustration of the words associated with the information in the node ‘prior knowledge’. It is easy to identify words such as *business*, *background*, *experience*, *industry*, *expertise* (the larger the font size, the higher the frequency) closely associating with the data

accompanying prior knowledge. By clicking on these words, the researcher can easily identify all the references and sources related to that particular word.

Figure 3.6. NVivo query functions - Word frequency



NVivo 9 can also show how terms are correlated according to the Pearson correlation coefficient metric. It gives a better idea of the relative importance of the association of identified constructs to the original parameters.

Another useful tool is the 'Matrix Coding' query, which makes it possible to compare items and display the results in a table or matrix. For example, matrix coding query on the nodes *creativity*, *perseverance*, *prior knowledge*, and *self-efficacy* provided the cross-tabulation results shown in Table 3.12. The table

indicates the number of incidents coded under each of the nodes, such as under C01 where there are 17 coded references for perseverance while C02 has no references coded under that theme. This coding gives an overview of how often that particular category was observed in each of the firms. This information is helpful in comparing and contrasting the firms and identifying critical incidents relevant to each category.

Table 3.12 NVivo Matrix Coding results

Case firms	A : Creativity	B : Perseverance	C : Prior knowledge	D : Self-efficacy
C01	8	17	14	11
C02	2	0	5	2
C03	5	3	5	2
C04	0	1	2	0
C05	2	1	3	5
C06	1	4	1	3
C07	5	3	4	2
C08	1	0	3	2
C09	6	6	2	6
C10	6	5	4	2
C11	7	12	2	7

3.9 Summary

The purpose of this chapter is to develop the research methodology that is appropriate to refine and operationalise the propositions and the model constructs developed in the Chapter 2. This chapter has justified and provided the rationale for selecting qualitative research methodology to answer the research questions. It has

also looked at the research design, selection, data sources, research quality considerations, and data analysis methods and techniques.

The next chapter looks at the research context. It gives an overview of the country, the tea industry, and an overview of the external sector.

Chapter 4

Research context: Sri Lanka

4.1 Introduction

The previous literature on IE provides little empirical evidence from developing countries. It also gives scant attention to agriculture-based industries and mature firms. Therefore, a research context that looks at these areas would fill a much needed gap in the IE literature and expand the existing understanding about different internationalisation patterns of entrepreneurial firms.

This chapter focuses on a developing country research context: Sri Lanka. It also looks at the largest primary export sector of Sri Lanka: tea. The chapter starts with an overview of the global tea trade and the Sri Lankan export sector, history about the tea industry, and an overview of the general economic situation.

4.2 Country brief: Sri Lanka

Sri Lanka's prehistory dates back over 125 thousand years. According to historical records, the first king of Sri Lanka, an Indo-Aryan migrant from northern India, settled on the island in 543 BC with 700 of his followers. Sri Lankan dynastic history spanned a period of 2359 years until the country became a part of the British Empire in 1815.

Only a narrow stretch of sea separates Southern India from the island nation of Sri Lanka, yet its civilisation evolved not as a mere variant of an Indian prototype but as something culturally diverse, distinctive, and autonomous. Today it is the home

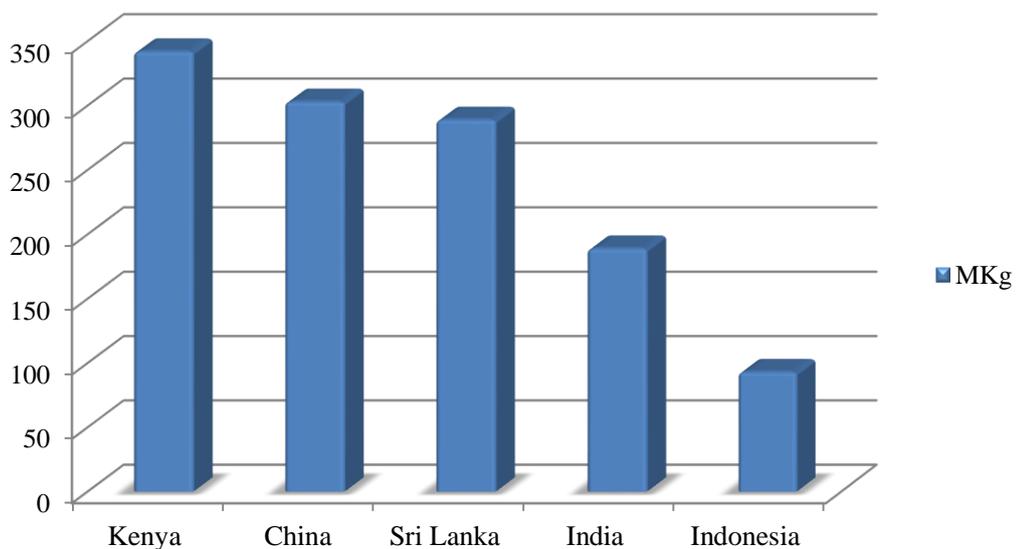
of 21 million people, which consist of 74 per cent Sinhalese, 7 per cent Moors, and 5 per cent Tamils.

Today Sri Lanka is an emerging market, a transition economy with a 6.4 per cent growth (Central Bank of Sri Lanka, 2012), and still famous for its tourism, clothing, cinnamon, and Ceylon tea.

4.3 World tea trade

China remains the largest tea producing country with an output of 1.4 million tonnes, accounting for 33 per cent of the world total. Kenya controls about 23 per cent of the world export market for tea, and India is the leading producer and consumer of black tea in the world (FAO, 2012). Figure 4.1 shows the top five tea exporting nations of the world. Together, these five countries account for 75 per cent of the global tea production.

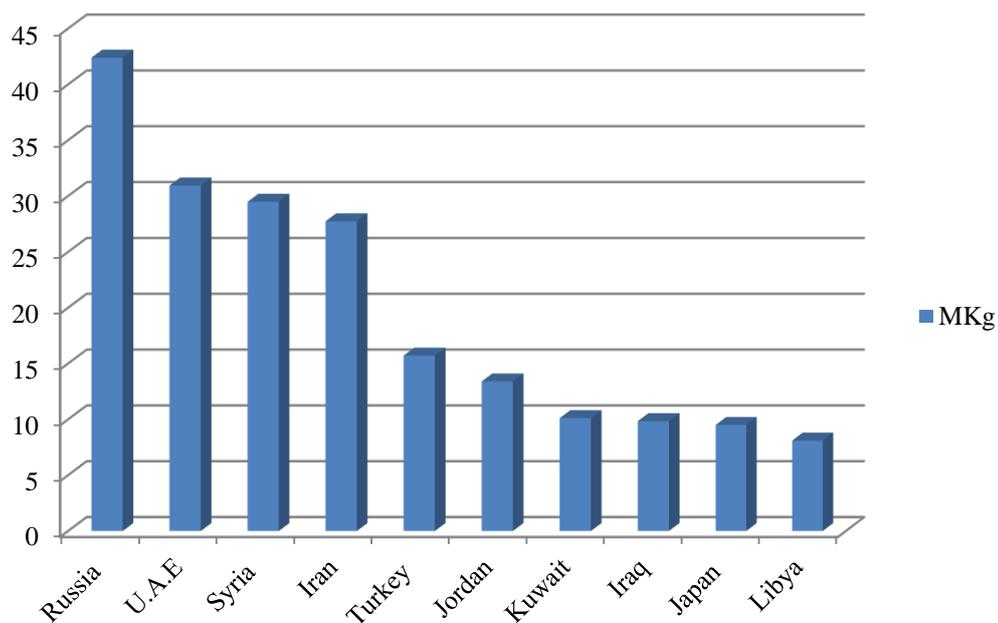
Figure 4.1 Top five tea exporters in the world



Source: Sri Lanka Tea Board (2009).

Russia continues to emerge as the leading destination for Sri Lankan tea exports, accounting for 17 per cent of its total tea exports, followed by the U.A.E, Syria, Iran, and Turkey respectively. Sri Lanka still depends heavily on non-value added tea (70%) exports. Most of the top importing countries use bulk tea as their main import product, but Jordan and Iraq focus on value-added and speciality tea varieties. Interestingly, 78 per cent of the instant teas are imported by Ireland, whilst Iraq consumes 38 per cent of the special tea varieties. Figure 4.2 shows the top 10 tea importers of Sri Lanka.

Figure 4.2 Top 10 importers of Sri Lankan tea



Source: Sri Lanka Tea Board (2009).

These top 10 countries provide substantial volumes of business for the country; however, their primary imports go in bulk form (60 per cent), fetching a lower per kg price (average. Rupees 440/per kg) (1 USD = 131.00 SL Rupees). The importance of value addition either in the form of tea packets, tea bags, instant tea, and green tea creates a substantially higher per kg price for the tea exporter. This

parity of prices is shown in the Table 4.1 below. The Colombo tea auction uses Sri Lankan Rupees as their trading currency. Tea exporters use USD as their currency of exchange.

Table 4.1 Importance of value addition

Country	Mkg	Bulk Tea (%)	FOB (Rs/kg)
Russia	42.40	66%	455
U.A.E	30.94	78%	442
Syria	29.49	54%	503
Iran	27.74	76%	519
Turkey	15.71	53%	434

Australia	02.9	14%	953
Denmark	0.18	11%	899
Ireland	1.27	13%	766
New Zealand	0.90	11%	762
Maldives	0.24	17%	748

Data source: Sri Lanka Tea Board (2009).

Table 4.1 clearly indicates that exporters can earn almost double the price for their value-added specialty teas compared to exporting bulk teas. However, exporting value-added tea is an entrepreneurial feat which only handful of Sri Lankan companies have managed to master over the 100-year history of Ceylon tea.

Tea not only contributes to 2 per cent of the island's GDP, it also provides direct and indirect employment for two million people on the island. As such, 10 per cent of the population depends on this industry alone (Sri Lanka Tea Board, 2011).

The next section focuses on the overview of Sri Lankan tea trade, its history, development, and current status.

4.4 Overview of colonial influence on export trade

Sri Lanka has been a trading nation since earliest times, because it was centrally located in the trade routes between India, Persia, Cambodia, China, and other parts of the East. In 1505 A.D. the first European settlers, the Portuguese, arrived in Sri Lanka, followed by the Dutch in 1602, and finally the British who ended the Dutch pre-eminence in 1796. The country was made the British Crown Colony of *Ceylon* in 1802. The British took possession of the entire island in 1815, ending the era that saw 170 rulers and monarchs (Fernando, 2000). Ceylon regained its independence in 1948, after nearly four centuries of colonial influence. In 1972, Ceylon became the Republic of Sri Lanka breaking a 157 year-old link with the British Crown.

The English East India Company (EIC) formed by the British to pursue trade with the Indian subcontinent took control of the external trade and administration of Ceylon. In 1802, the EIC was given the sole right to buy cinnamon from Sri Lanka for the European market. Sri Lankan cinnamon had a natural monopoly status in the European market due to its superior quality and the efficient management that was in place at the EIC (De Silva, 1981). Apart from cinnamon, coconut plantations were also introduced to the country; however, coffee cultivation also secured a foothold as the promising export crop of Ceylon. By 1845, there were 25,000 acres of coffee plantations and by 1877 coffee cultivation reached its peak covering 360,000 acres exporting 1,000,000 hundred weight (cwt) of coffee (Fernando, 1995). Coffee cultivation thrived for 40 years until the arrival of a disastrous fungus

in 1869 which destroyed the great coffee industry, reducing its export volume to one-fifth of its former level in less than a dozen years.

4.5 The era of tea begins

The story of tea begins in China 2700 B.C. when Emperor Shen Nung discovered it for the first time (Fernando, 2000). Way back in the eight century, Japan had used tea, but only as a medicine. This usage continued for another 500 years. However, it was the Chinese who introduced the habit of tea drinking to the outside world. Although, it was Dutch who made the first transshipment of Chinese tea as a bulk export from Java to Holland back in 1606 (Contractor, 2012), it was the British who finally popularised tea drinking on a mass scale. (Initially tea drinking was limited to the rich English nobility, because it was an expensive commodity due to its high tariff structure) The credit for pioneering the cultivation of tea around the world goes to two British brothers. Major Robert Bruce found the actual indigenous India tea plant in the hills of Assam, and his brother Charles Bruce, a former naval officer, who with the help of two tea makers from China, mastered the art of making drinkable tea. In 1838, they tried out the first batch of tea in Calcutta and the first batch of chests was dispatched to London to be auctioned on 1839 (Fernando, 2000). The British reacted favourably to this strong tea and thereafter Chinese teas lost their popularity. This new product not only changed the type of tea consumed but also made changes to how it was prepared. People began to add milk and sugar to the tea to soften its strong flavour and, in turn, made a real contribution to the per capita tea consumption of the average Britain.

The first tea plant was imported into Ceylon from India in 1839, and tea was regarded as a resilient plant compared to coffee. Nevertheless, the experimenting

went on for three decades until James Taylor finally proved in 1867 that tea could be grown as an alternative plantation crop to coffee. “By 1890, there was not a single planting district in the island in which tea did not dominate” (Fernando, 2000, p. 61). Tea was the country’s main export earner from the 1880s to the 1980s until overtaken by the garment industry in the late 1980s. However, while in England land was insufficient to produce food for its manufacturing people, Ceylon did not have a sufficient working population to cultivate the tea plantations of English capitalists.

Solving the labour crisis

Ceylonese peasants had their own land and none of them were poverty-stricken enough to work for the meagre wages paid by the British planters whom they regarded as strange and untrustworthy. Kandyan (upcountry) peasants considered working under a foreign employer as socially degrading. British planters had to look for an alternative labour force which was larger, cheaper, and more reliable than the rebellious and proud Ceylonese. The solution to this problem came from South India, where large numbers of poverty- and drought-stricken labourers who had nothing but their labour to sell voluntarily found a safe haven in Ceylon’s lush tea plantations. The first batch of immigrant labourers from India came in 1830 to work in the coffee plantations.

4.6 Tea basics

The extent of Sri Lanka’s tea cultivation was estimated in 2009 at 221,000 hectares, i.e., 3.8 per cent of the country’s land (Sri Lanka Tea Board, 2009). Tea lands are normally classified into three categories of elevation, namely: High Grown (above 1200m), Medium Grown (600-1200m), and Low Grown (below 600m) lands which

contribute to 50 per cent of the total tea production in Sri Lanka. There are more than 750 registered tea factories classified under these three categories.

There are three main grades of tea: *Leaf Grades* (larger, longer pieces), *Broken Grades*, and *Dust*. There are many different grades within these three main grades such as orange pekoes (leaf grades) and fannings (broken grades) (Fernando, 2000). It is common to see one tea factory producing 12-15 different grades of tea. Fifty-four per cent of teas are produced by the private sector tea factories, whilst the corporate sector and the public sector account for 40 and 6 per cent respectively (Sri Lanka Tea Board, 2009). The grades of tea denote only the size and appearance of the leaf and bear no relation to quality. Unlike many other basic agriculture commodities such as spices, coconuts, and rubber, tea is not just tea, but a highly diverse product that needs to be sampled and tested. The selected grades are then weighed and packed into tea chests ready for dispatch to the broker stores in Colombo where they are catalogued for the first available auction.

4.7 The world's largest tea auction

Since the very early days of its inception in London in 1878, the tea industry has embraced the auction system, and it continues to use this system as the primary marketing channel for tea buyers and sellers. It is estimated that 80-90 per cent of the world tea production is sold through auctions. The regulatory framework governing the sale of tea exports gives priority to tea sales through auctions, and if a seller wants to sell his/her tea ex-factory, he/she needs to get a special permit from the tea commissioner. In 2008, 313 million kilogrammes (kgs) were sold through the auction system, which is 98 per cent of the total tea production of Sri Lanka (Colombo Tea Traders Association, 2009). "The reason why the tea industry

embraced this system of marketing from inception was that from the early stages it was recognised that tea was not just tea, as nutmegs were nutmegs, but infinitely varied product, which needed to be sampled and tested, almost literally chest by chest” (Fernando, 2000, p. 137). Unlike most other commodities, tea cannot be standardised to be bought and sold to established specifications. The tea auction system is the nerve centre of tea industry; tea lots may get sold at up to four per minute, establishing an autonomous market where value is determined openly and competitively. The auction collects a wide variety of teas supplied from a large number of sources and channels them rationally into the numerous areas of highest demand. As such, the auction system allows a tea producer to access a wider marketing platform, and the buyers to get access to a much broader variety of sellers without having to visit one producer after another.

The Colombo Tea Traders Association (CTTA) directly administers the Colombo tea auction. The association consists of producers, brokers, and buyers. The Colombo tea auction is the largest (for single origin teas), fastest, and most efficient in the world (Jayawickrama, 2009). It handles around 5 million kg per week, comprising over 6500 different lots (Sri Lanka Tea Board, 2009). Each lot for sale is auctioned by one of nine selling brokers, with over 200 buyers competing for the teas, after having tasted the samples sent to them by the brokers (before the actual auction date). The tea brokers play a key role in making the auction work with clock-work precision. The tea brokers oversee the tea trade from the time tea is plucked until it is eventually shipped. The function of a tea broker does not end there, however; he/she is responsible for collecting the sales proceeds from the buyer and settling with the seller on predetermined dates. Tea buyers have to take decisions quickly, calculate, and recalculate the bidding choices, and they have to be experts in the art of tea blending, tasting, and even market expectations.

4.8 The art of tea tasting and the trends of the tea trade

Today, teas are seldom sold in bulk form. Tea is now blended to produce an outstanding taste and colour properties to meet the diverse expectations of the world consumers. This is a job of a highly skilled class of men called ‘tea tasters’. Tea tasting professionals not only have to appraise the value of thousands of pounds worth of tea by merely tasting it, but are also expected to know the outcomes of various samples of different teas once they are blended together. Becoming a tea taster takes years of training, involving knowledge about the markets, long years of experience, and sound business acumen. However, the British tea tasters kept this trade as a closely guarded secret until the mid-1940s. In 1945, the doors were opened for three Ceylonese citizens to train as tea-tasters. In the course of four decades, the entire tea tasting fraternity came to be dominated by Ceylonese (Fernando, 1995).

Today tea is not sold as a mere primary product, and the expertise in the field goes well beyond the expertise of the tea tasters. After drinking tea for centuries instant coffee made headway with the British consumers in 1950s and overtook tea to become Britain’s most popular hot drink in 2005 (Rushworth, 2012). However, this trend is now changing as consumers look for healthier and organic options instead of instant versions. Products such as green tea and herbal infusions are coming back strongly due to their health and medicinal benefits. These fundamental changes to the tea industry in the last four decades now demand that the tea exporters add value by selling a concept, promoting an image, and projecting a culture of tea drinking that enables the consumer to see tea as something other than a primary commodity. The expansion of value-added tea took a long time to enter the Sri Lanka tea industry. In the early days, the industry was dominated by British planters, and

value adding took place in the UK. This practice enabled the UK, which does not grow tea, to generate more profits from tea than any tea producing country in the world could, making a 300-400 per cent mark up on the purchase price of the product (Fernando, 2000).

4.9 The dominance of British companies and the role of multinationals

From the late 1860s, sterling companies (owned and managed by the British) based in London dominated the tea industry. They controlled agency houses in Colombo, and British institutions controlled shipping, banking, and insurance services. At the time of Sri Lanka's independence in 1948 two thirds of the tea sector was still owned by British companies, while marketing of tea was totally in their hands. Even after independence, the structure of the tea plantation industry remained largely unaffected, and power was simply transferred to native elite who were eager to maintain ties with the British. However, things started to change after 1950 when the government introduced the concept of nationalisation. This political independence caused widespread uncertainties in the market and led the British to sell their shares in the plantation companies. Ceylonese individuals were quick to seize the opportunity of purchasing the shares of sterling companies and by 1958 the British ownership in sterling companies had dropped to 37 per cent (Fernando, 2000).

However, the legacy of the vertically integrated British companies left a lasting impression in the tea industry. The most important aspect of all was the transfer of knowledge to Ceylonese managers. Companies like George Stuart & Co. (est. 1835), Mackwood & Co. (est. 1841), Forbes & Walker (est. 1881), Harrison &

Crosfield Ltd. (est. 1892), Lipton Ltd. (est. 1892), James Finlay & Co. (est. 1893), Bartlett & Co. (est. 1904), A. F. Jones & Co. (est. 1918), Brooke Bond Ceylon Ltd. (est. 1919) had started as small trading firms but later became multinationals that brought in a wealth of resources to the tea industry by way of plantation management (some of these companies integrated backwards into plantations), brokering, tea tasting, exporting, and marketing of tea to the developed countries. The invaluable knowledge and the vast networks built up by these companies were later exploited by the local managers who started their own exporting firms in the late 1970s after many years working under them.

The transition of knowledge that built the industry over a century happened gradually and rather hesitantly. The management structure of the British trading companies consisted of boards of directors or a dominant shareholding family. The local directors were expatriates who had served long periods overseas and accumulated considerable region-specific experience. They were a closely-knit group who collectively held a formidable tacit knowledge about products and regions, and had extensive personal contacts with directors of other firms and government officials. The British trading companies gave considerable attention to the selection of their future expatriate managers. The recruitment process, which usually happened in England, focused primarily on the personal recommendations, or acquaintance and relations with the past and present directors. The potential employees were extensively questioned on their family backgrounds, and family's social position. "The general profile of a recruit was of a respectable, privately educated young man preferably with some sporting achievements at school" (Jones, 2000, p. 207). The expatriate directors developed extensive bureaucratic rules, regulations, and routines to formalise flows of information and decision making (Jones, 2000). These rigid structures and recruitment processes that prevailed until

the late 1970s offered little or no career advancement opportunities for local managers.

A different kind of control was exercised by multinationals that organised the tea distribution and marketing. Even today large multinationals such as Unilever (which owns Lipton, the top selling tea brand in the world (www.unilever.com) and also PG Tips and Brooke Bond), Tetley (est. 1837 in England, now owned by Tata Global Beverages), and Twinings (est. 1706 in England), dominate the world's branded tea market. They form the interface between the tea trading houses and the consumers. Until the late 1980s, tea blending, branding, marketing, and distribution came under the exclusive control of these multinationals. Tea producing countries became mere exporters of bulk tea. For example, even today Unilever is the third largest bulk exporter of Sri Lankan tea (Colombo Tea Traders Association, 2009).

Sri Lankan exporters started value adding in the early seventies but it was in the late eighties that Ceylon tea entered the era of branding. Coinciding with brand development, the tea packaging industry started using sophisticated packaging methods. Exporters were able to customise and provide specialised services to premium end tea markets, allowing them to fetch higher export revenue per kg than their competitors and reduce their dependence on the multinational packers.

4.10 Economics of tea

After 145 years in the tea business, Sri Lanka has become the largest producer of orthodox black tea (others being the Cut-Tea and Curl (CTC), Green tea, and other teas) and the third largest exporter of tea to the world. In 2009, it exported 290 million kgs, earning US\$1.25 billion in export revenue. A yearly comparison of the tea export quantities for different forms of tea is shown in Table 4.2 below.

Table 4.2 Sri Lanka tea exports

	2006	2007	2008	2009	2010	2011
Bulk	197.8	179.9	178.0	164.6	176.8	179.9
Packets	79.4	72.7	84.3	75.5	89.8	95.8
Tea Bags	19.1	22.0	20.3	18.7	25.7	24.6
Others	18.6	19.7	18.6	21.2	1.8	2.9
Re-exports	12.5	15.6	18.6	10.6	18.6	20.5
Total (Mn. kgs)	327.4	309.9	319.8	290.6	305.7	323.7
Value (Billion US\$)	0.882	1.01	1.26	1.25	1.37	1.51

Source: De Alwis (2012).

It is evident that there is a positive trend in value addition taking place in the tea exports (in the form of packets, tea bags, and re-exports (using different multi country tea origins).

The next section looks at the external sector performance of the Sri Lankan economy.

4.11 Overview of the external context

Sri Lanka as a country over the last three decades has experienced extreme civil unrest, terrorist activities (war with Tamil Tiger extremists), and natural disasters (tsunami in 2004). For the Sri Lankan people a new era has begun with fresh hopes; 30 years of war with the LTTE (Liberation Tigers of Tamil Elam) was ended in 2009, and the country is experiencing significant growth in virtually every sector of its industry.

Amidst the global debt crisis, geopolitical uncertainties in Middle Eastern and North African countries, and rising domestic demand, the Sri Lankan economy grew by 8.3 per cent and exports grew by 22 per cent compared to the previous

year, supported mainly by increased industrial exports, followed by agricultural exports (Central Bank of Sri Lanka, 2011). The opening up of the Northern and Eastern provinces improved consumer and investor confidence and expansion of infrastructure facilities, and renewed economic activity. Annual average inflation remained at a single digit level (6.7 per cent) while year on year inflation was 4.9 per cent.

Earnings from the textile and garment exports (highest export value contributor) reached US\$ 4.19 billion, surpassing the US\$ 4 billion target set by the apparel industry. Tea exports continued to be the major agricultural export, contributing to 59 per cent to total agricultural exports. Despite the healthy growth of exports, significantly high import expenditure led to an unprecedented rise in the trade deficit, widening the gap sharply to 16.4 per cent of GDP.

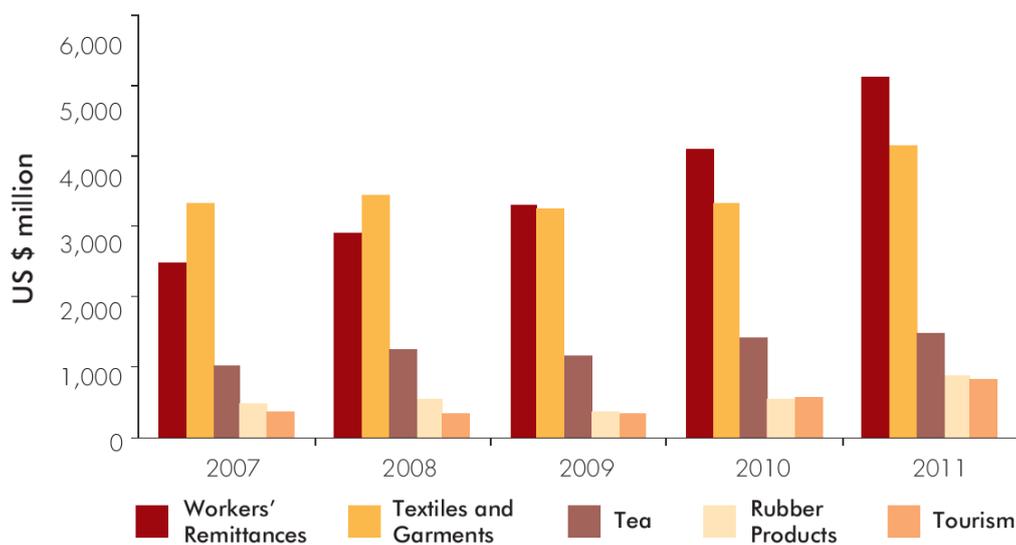
4.12 Policy changes

The Central Bank allowed greater flexibility in the exchange rate by limiting intervention in the domestic foreign exchange market. This move resulted in depreciating the Rupee against the US\$ and other major hard currencies, benefitting exporters but not importers of industrial goods. Figure 4.3 illustrates the major sectors that contributed to the earning of foreign exchange.

The Central Bank relaxed exchange control regulations in order to allow enterprises to borrow directly from international financial markets, permitting commercial banks to raise capital from foreign sources. There is limited intervention from the Central Bank in order to allow greater flexibility in the exchange rate. As a result, the Sri Lankan rupee depreciated by 14.56 per cent against the US dollar and other major currencies in 2012.

The change of import duty structure had a positive effect on raw materials and machinery used for production of goods for exports, since machinery was rated on a zero duty band or as duty free, a shift from the previous 2.5 per cent duty band. This change certainly highlighted the government’s interest in developing the export sector, encouraging private investment, domestic value addition, and fostering technological innovations.

Figure 4.3 Major sources of foreign exchange earnings



Source: Central Bank of Sri Lanka (2011, p. 98)

This study focuses primarily on agricultural exports, and secondly on food and beverages exports that fall under the industrial exports category. The food sector, which contributes to 3 per cent of the total export value, grew by 42.4 per cent, generating a value of US\$ 348 million. The contribution made by each of these export categories is summarised in Table 4.3.

The economic, social, and political trends indicate that the country is slowly regaining economic and political stability, building the confidence of the consumers and investors alike. The IMF has acknowledged the current improvements in the

credit ratings, and Standard and Poor's has lifted their rating from B to B+, citing positive economic trends putting confidence in Sri Lanka's ability to achieve its fiscal targets (Political Risk Services, 2011). There is much hope that the country will reap the benefits of a peace dividend in the near future with primary export categories reaching an all-time high level of activities.

Table 4.3 Composition of exports

Category	2010 (b)		2011 (c)		Change in Value (c) US\$ million	Growth Rate (c) %	Contribution to Growth (c) %
	Value US\$ million	Share %	Value US\$ million	Share %			
Agricultural Exports	2,306.4	26.7	2,527.8	23.9	221.4	9.6	11.5
Tea	1,440.6	16.7	1,490.9	14.1	50.3	3.5	2.6
Rubber	173.2	2.0	206.4	2.0	33.1	19.1	1.7
Coconut	165.8	1.9	266.0	2.5	100.1	60.4	5.2
Spices	207.3	2.4	235.2	2.2	27.9	13.5	1.4
Vegetables	23.4	0.3	16.9	0.2	-6.5	-27.6	-0.3
Unmanufactured Tobacco	32.2	0.4	38.4	0.4	6.2	19.2	0.3
Minor Agricultural Products	71.6	0.8	88.7	0.8	17.1	23.8	0.9
Seafood	192.2	2.2	185.3	1.8	-6.9	-3.6	-0.4
Industrial Exports	6,096.1	70.7	7,991.7	75.7	1,895.6	31.1	98.1
Textiles and Garments	3,356.0	38.9	4,191.2	39.7	835.2	24.9	43.2
Rubber Products	557.6	6.5	884.8	8.4	327.3	58.7	16.9
Petroleum Products	263.4	3.1	552.7	5.2	289.3	109.9	15.0
Gems, Diamonds and Jewellery	409.0	4.7	531.5	5.0	122.5	29.9	6.3
Food, Beverages and Tobacco	244.6	2.8	348.2	3.3	103.6	42.4	5.4
Machinery and Mechanical Appliances	258.8	3.0	312.2	3.0	53.4	20.6	2.8
Printing Industry Products	246.1	2.9	235.1	2.2	-11.1	-4.5	-0.6
Transport Equipment	143.9	1.7	225.0	2.1	81.2	56.4	4.2
Leather, Travel Goods and Footwear	60.2	0.7	65.1	0.6	4.9	8.2	0.3
Ceramic Products	39.9	0.5	38.3	0.4	-1.6	-4.1	-0.1
Other Industrial Exports	516.6	6.0	607.5	5.8	90.9	17.6	4.7
Mineral Exports	24.2	0.3	32.9	0.3	8.6	35.7	0.4
Unclassified	199.2	2.3	6.5	0.1	-192.7	-96.7	-10.0
Total Exports (d)(e)	8,625.8	100.0	10,558.8	100.0	1,933.0	22.4	100.0
Annual Average Exchange Rate (f)	113.06		110.57				

Source: Central Bank of Sri Lanka (2011, p. 106)

4.13 Summary

This chapter provided an overview of the research context, highlighting the significance of the Sri Lanka tea sector. The literature review chapter identified an important gap in the IE field relevant to this research context. So far there has not been a single study in Sri Lanka focusing on the internationalisation process from an entrepreneurial perspective. Further, the IE field lacks insights from agriculture-

based industries. These two factors create a compelling case for studying the Sri Lankan agriculture-based companies in the traditional export sector.

This chapter outlined briefly the history of tea, its entry into Sri Lanka, and its role in changing the Sri Lankan economic landscape for over a century. It also looked at the world tea trade and its major players. Lastly, the chapter highlighted some important recent government policy changes that encouraged private sector investors and also exporters.

Another important aspect of selecting the tea trade is its unique value chain. Every tea buyer has to buy his or her tea from the tea auction. As such, tea becomes an open autonomous market, where prices are known to everyone, but where the real differentiation lies in the skills of the tea tasters and the exporters themselves, and in their capacity to develop unique product combinations.

Chapter 5

Case descriptions

5.1 Introduction

The main purpose of this chapter is to develop comprehensive case descriptions by following the guidelines suggested by Yin (2003). This general analytic strategy uses a descriptive framework covering the three key areas (venture formation, growth, and survival) to identify primarily the formation, growth patterns, and underlying factors that influence the internationalisation paths of firms.

5.2 Overview: Case C01

The journey of one man that began in 1950 and the company that he started in 1981 with only handful of employees has changed the way Sri Lankans exported tea to the world. In an era when multinationals dominated the tea trade with their powerful brands and market dominance, C01 was the first company in Sri Lanka to export branded pure Ceylon tea. C01 was founded by a visionary entrepreneur who viewed “business as a matter of human service” even before the venture started.

Today, C01 is a large family-owned company selling 10 million kg of tea per year. The company exports to 92 countries with a value of 7 billion rupees (US\$ 50 million) and provides direct employment to 1000 personnel, and indirect employment to as many as 30000 people. It fetches the highest per kg price from exports of any company in Sri Lanka (Colombo Tea Traders Association, 2009). C01’s brand is synonymous with quality teas and is a respected world tea icon that

spreads the message of pure Ceylon tea. The company also takes pride in sharing its success with the community by helping 10,000 underprivileged people each year and earnestly working towards environmental and animal conservation for a sustainable future.

Background

CJ (founder entrepreneur) started his career as a trainee tea taster in 1950. A group of Sri Lankan tea tasters were selected for the first time to be trained in London and CJ happened to be one of them. Mincing Lane in London was the mecca of tea, with everything relating to tea happening there, from importing, packaging, and branding, to consuming. CJ was trained for 2 years in all aspects of tea tasting, blending, and manufacture, a rare opportunity for a young fellow in his early twenties. This experience was also an opportunity to see how the tea trade operated in real terms and how the exchange value (selling price) for tea was created. He was also able to see the unfavourable distribution of profits among the tea growing nations. The existing industry structure favoured the multinationals and not the tea growing countries. It was the tea blenders and importers that gained the highest share of value. It was an insightful experience where he saw the value of branding, and he was determined to create his own brand someday.

After his training, he came back to Sri Lanka, but could not find a suitable job in the tea trade that was dominated by foreigners. CJ started work for an oil company and worked for 2 years as an inspector, travelling around the country before he headed back to the tea industry.

Intention

CJ joined a British-owned family company and worked diligently to become the managing director within a few years and eventually bought in British shareholders and ran the company with another partner. When he first joined this company he asked the owners about marketing the company's own tea rather than selling bulk tea to multinationals. Their answer was "Well, we don't know much about marketing. In marketing there are experts, so we have to leave it to them". CJ accepted the answer, but he was not convinced and could not see the logic in it (Gunewardena, 2006).

In London, he had seen how tea was traded and marketed after Ceylon tea was blended with various other origin teas. CJ saw this process as the commoditisation of the tea, where quality tea had cheap infusions added to it and was sold more cheaply to meet consumer demand without much consideration for the quality and purity of real tea. He realised that he could not change the system by running a company that others owned. However, he had confidence in his ability to achieve more and saw his present firm as a constraint to realising his dream of giving the real tea experience to his consumers.

"In 1974 when my children were in England, this idea of branding and marketing was haunting me; then I registered a brand in 1974. In 1988 I launched the brand in Australia. For 34 years I was dreaming of launching my brand" (*COI Chairman - company archives*).

Venture creation

CJ started his own company in 1962 with US\$100 capital borrowed from his father. He started exporting bulk tea to Russia, Australia, and New Zealand through the contacts he had developed from his previous work places and industry experience.

During the period from the 1970s to the 1980s CJ earned substantial revenue from selling bulk tea to Russian and Iraqi customers. “They paid on time, pounds sterling via London, and were very courteous. I had more money than I knew what to do with” (Ellis, 2007, September 3, p. 3).

C01 was in a much better position to launch its own brand when the time was right in 1988. The company had access to sufficient funds, had the knowledge, and had the contacts in the right places. These resources were accumulated over many decades with some even going back to the 1950s when CJ first joined the trade as a trainee.

“In the 1950s John’s father, Jack was working for the family company and trained as a tea taster in Sri Lanka at the time so he was within the industry and set up a friendship with CJ” (C01- Senior Manager 1).

During this time, in Australia and New Zealand, CJ saw how the multinationals took control over the small tea traders to get a hold in the industry. They drove the prices down and made the tea with inferior quality blends. Consumers were deprived of enjoying the single origin tea that they loved but had to be satisfied with what was available on supermarket shelves.

The actions of the multinationals created a gap in the market, a gap created by the unavailability of authentic single origin teas. CJ saw this gap clearly and predicted

that, without branding, his bulk tea business would face the threat of losing its customers to cheaper suppliers no matter how strong the relationship was.

“I sold bulk tea for about 35-40 years. I saw my own customers moving to other cheaper origins for their blends so I realised in a matter of 5-10 years I would be out of business if I sold bulk tea. Australia was my major market for bulk tea at that time and I started and shipped substantial quantity to New Zealand”
(C01- Chairman - Company archives).

This was not the only challenge he faced. A new socialist government came to power in Sri Lanka in 1971 and implemented its mandate to nationalise the plantations and to seize lands over 50 acres that were owned by individuals. Despite this imminent threat, CJ went ahead and bought a plantation, and spent a substantial amount of money developing it. However, subsequently his land was acquired by the government, creating a huge financial loss for CJ.

Challenges faced

After his plantation was acquired by the government, CJ could not continue with his newly established venture and had to run it down. He was disheartened but never gave up the vision he had in his mind of exporting branded tea. CJ tried to convince the government between 1954 and 1977 to go on the path of brand building and in the hope of getting assistance concerning investment and machinery; ultimately, after many years of trying, he succeeded in getting incentives for value-added tea exporters.

“I feared that I would fail and I had a lot of resistance and hardly made any profit, but I had to convince the government I was doing the right thing and finally they turned and started to give incentives to exporters of value-added

teas. Five years later, everyone was doing what I had started” (C01- Chairman - Company archives).

However, his peers and industry experts were strong believers in exporting bulk tea and ridiculed CJ for not knowing the market well enough. Government officials told him that he is going to waste foreign exchange by trying to do something not even multinationals asked of them. Nevertheless, the little marketing knowledge he possessed at that time was impressive enough to get the attention of his audience. In an era where branding was unheard of no one was able to see or understand that it was the future he is talking about and not the present status of the industry.

“When he created his own brand and concept and started production, at that time everybody said it’s not going to work; there are multinational brands and it’s not going to be successful... Since there were some relationships already build with the buyers, they accepted his product with a warning that you are going to lose your money” (C01 - Senior Manager 2).

He decided to launch his brand in Australia, a market he knew well as a result of strong contacts developed through years of bulk tea exporting. However, unlike bulk tea exports, branded tea marketing needs a lot of support and investment in terms of new packaging machinery even before the marketing strategy is implemented. Knowing these limitations, he approached Sri Lanka Tea Board (SLTB) and the Export Development Board (EDB) with the expectation of receiving support for launching his product. After many months of persuasion and discussions, these bodies agreed to fund 50 per cent of the project (Fonseka, 2009). However, unlike CJ, the government officials thought his project was destined for failure and did not give it their full support. The payments from the government

were not prompt and CJ faced difficulties paying his service providers on time and had to balance these relationships very delicately.

CJ made a move that many thought risky and which went against the market trend. In the 1980s he imported the first tea bagging machine to Sri Lanka from England. He was the fourth largest bulk tea exporter in the 1970s but decided to move into new territory foregoing his comfortable current situation as a bulk exporter to embark on a path that no one had travelled before. Even his bulk tea customers resisted accepting his tea bags and complained his bulk tea business would fail; no one wanted to buy his branded tea bags. CJ did not heed these setbacks and eventually proved that his tea bags business was more sensible than dealing with bulk tea.

In 1981, he incorporated his new venture to export value-added tea, not with the intention of making profits, but with the intention of developing the image of Ceylon tea and bringing back the benefits of tea exports to his countrymen.

Venture growth

In 1988, CJ launched his brand for the first time in Australia, as the first producer-owned tea brand in the world. He had dreamt about launching his own brand in 1950 as a young trainee tea taster, and it took 38 years for him to turn his dream into a reality.

By this time, C01 was the second largest bulk tea exporter in Sri Lanka. CJ was endowed with expert knowledge about the industry, its markets, and consumers. CJ's ability to be flexible to the market's requirements and his inexorable pursuit of new markets paved the way for reaching many new markets and early success in the international marketplace. He had developed intimate relationships with his

distributors and the company was financially sound enough to support further expansions.

“C01 participated in all the major trade fairs in the international market. We always try to look at the products from the customer’s perspective and customise the product to countries’ requirements” (C01- Senior Manager 2).

In the 1980s, his close relationships with the Australian buyers provided the necessary market information and ways to approach new accounts. But the real breakthrough came from two of his Australian friends who supplied the major tea buyer in Australia. They asked him to supply tea to be packed under a private label for this buyer and CJ readily agreed to fulfil the order. Subsequently, the Australian company visited Sri Lanka, saw the production process, and suggested a few improvements that provided CJ with useful knowledge. They started buying from C01 and were able to sell their products at 15 per cent or 20 per cent below the price of their locally packed tea. CJ exploited this opportunity to supply private label products to many other supermarket chains in Australia.

CJ knew his product quality was superior to all the brands that were available at that time and decided to sell his own brand at a higher price than that of the competition to reflect the premium quality of his tea. However, his buyers pressured him to mark down the price out of respect to the big players in the market.

In 1988, C01 was an unknown player in the market, but its entry into the Australian market was not taken lightly by the big players (such as Unilever and Twinings), since they knew there was clear differentiation in C01 products in terms of quality, authenticity, and simplicity of the brand positioning, and they reacted by discounting the price of their own brands.

Consumers reacted favourably to CO1's new brand and sales started to grow in Australia. The success of this market paved the way for entry into New Zealand in a similar fashion.

“CJ was exporting bulk tea to New Zealand (NZ) for many, many years...Right through to the 60s and 70s, and then into the 80s as well that bulk tea was imported through CJ through his company and sold to upper brands or to other tea packers to pack up” (C01- Senior Manager 1).

C01 launched its branded product in New Zealand in 1991. It started as a small operation with little financial support from the parent company in Sri Lanka. In 1992, a sales office was established under the C01 name with New Zealand partners.

“Not long after I joined we set up a sales and distribution office and now 100 per cent of my time is spent in C01's New Zealand office... It has gone from having three products, to a range of about 100 different lines” (C01- Senior Manager 1).

New Zealand entry was a success not only due to the products' quality, but because CJ along with his New Zealand partners employed various marketing tactics to get the message across to the consumers. They used product sampling, magazine advertising, and free samples to popularise their product among tea consumers. But the major breakthrough came from C01's New Zealand advertising agency, when they suggested CJ become the brand ambassador.

“It really started to kick off when the local advertising agency...said the best person to promote the brand was going to be CJ himself. Because CJ was charismatic, they felt that he was the tea guru able to get that across. CJ said no and quite often and number of trips he came to NZ he said no.... But finally

Darren convinced CJ - he was on his way literally to the airport when Darren convinced CJ to do it" (C01 - Senior Manager 1).

This was a major turning point and CJ readily admits that it is the wisest and the sanest move he has ever made since starting the brand. Currently C01 is the leading brand in New Zealand with 30 per cent market share and sales value of \$70 million. C01 customises its product according to country requirements. For example, Australia uses tag tea bags whereas New Zealand uses tag-less tea bags; that demands significant operational changes. But it is the quality and integrity that has made all the difference. The brand came closer to consumers' expectations than competitors did since it offered the original taste that consumers had liked for generations and they clearly recognised the difference between other brands and C01's brand.

"I am from New Zealand and have been enjoying C01 tea for the past 15 years. I have not wavered from your tea and write to say that the quality of the tea has only ever improved year after year. Family and friends have become avid C01 drinkers as well. Sincerely appreciated" (Consumer testimonial by RW – New Zealand on 12th April 2010, Source: Company website).

Value creation

In early the 1980s, CJ was not fully aware that he was going down the path of brand development since branding was not a widely known concept at that time. He was simply trying to differentiate his product from that of the competition by portraying his products as of superior quality. C01's product is garden fresh and 100 per cent single origin tea. It is manufactured using a process that has been treasured and perfected for over a hundred years; it is infused with ethics and family values, which are things the multinationals cannot claim.

Innovations pioneered by C01

In 1988, C01 pioneered the concept of single origin tea and launched it successfully around the world. In 2006, a new type of tea representing four premier tea growing regions of Ceylon was launched with a rare and distinctive taste which differed from normal black tea. By redefining the tea consumer segment, C01 launched another boutique tea category called the T-series targeting the younger generation of tea drinker. C01 was the first international brand to launch genuine white tea (made from the bud of a special variety of the tea plant, *camellia sinensis*. The buds are handpicked before the sun rises. In this Sri Lanka this type of tea is known as 'silver tips') at a premium price with clear differentiation in terms of taste that consumers recognised and admired. C01 continued with its innovative product range with infusions that offer handpicked teas and herbal infusions in ultrasonically sealed extra special bags that allow tea leaves to unfurl and brew properly, imparting their favour perfectly. More recently, C01 has started manufacturing iced tea, investing in a state of the art ice tea making plant in Sri Lanka. The plant has still not reached its full capacity, but it was a timely investment to enter fast-growing new market around the world.

“This is the only iced tea manufacturing plant in Sri Lanka. We are still at the early stages of the commercialisation process, but it came out as a result of many years of research. Our production process is patented and state of the art, unlike the other iced teas available in the market” (C01-Senior Manager 3).

C01 is the only vertically integrated tea company in the world and the only one to have expertise in every aspect of the tea business, from picking and tasting to packaging and selling to consumers directly with over 300 products and with minimal involvement of middle men.

Sustaining the business

Today C01 products are available in 90 countries. C01's brand is recognised as one of the top 10 brands in the world and its tea brand recognition is third in the world after Unilever (Lipton) and Associated British Foods (Twinings) (Ellis, 2007). The company has continuously grown at 15 per cent per annum both in revenues and profits. It also commands a 40 per cent higher margin than its local competitors. C01 is not built on the strength of its growth or profitability but on sharing its success with workers and the community. One per cent of the profits made by C01 are directed towards social support and environmental conservation. Its charitable foundation enriches the lives of 10,000 underprivileged people every year, develops eco-friendly tea gardens, implements wildlife support programmes, provides environmental education and awareness, and supports cultural and indigenous communities. To date, it has supported 35,000 tea garden workers through empowerment programmes, established 690 small entrepreneurial businesses, supported 300 variously disabled and Down's Syndrome children, supported and cared for 15,000 plantation children at Child Development Centres in tea gardens, supported 1,500 plantation students through grants and scholarships, helped 515 urban slum children in the daily Kids programme, and supported 160 war affected woman in the north of Sri Lanka.

This benevolent approach is reflected in the management and throughout the organisation as well. Children of the staff are provided with scholarships, school clothing, and books; there are in-house medical facilities, free or subsidised medication, and financial assistance. Some of these ventures were started when CJ first set up the company in 1974.

C01 selects its market entry strategy carefully so that it does not compete on prices alone. The company has moved away from the retail market in the Middle East giving way to other cheaper brands. It has used an unconventional but effective way to get closer to consumers by setting up T-bars (tea serving outlets in selected purchasing or consumption points). Some 70 such T-bars have been initiated so far, not only in the UAE but also in countries like Poland, Belarus, Kazakhstan, and C01 plans to open 200 T-bars in the US by 2015.

Diversification

Even before it started marketing its brand in Australia, C01 was offered an opportunity to cobrand its product with McDonald's restaurants in Australia, an offer which was readily accepted; today C01 supplies McDonald's in 22 countries.

C01 has developed its business activities through passive (serendipitous) and active (search) opportunity identification. CJ always questioned the status quo of everything and looked at opportunities to improve on the situation. After having imported the first ever tea bagging machines in the 1980s without really knowing how to go about it, he was faced with another dilemma concerning the importation of packaging materials from Japan. If there was a mismatch in the order, it was a time-consuming and a costly process. It took nearly 4 months to rectify the issue. At that time, the Sri Lankan printing industry was still using offset printing that was not readily adaptable to printing tea bags. CJ saw the market potential and decided to set up a printing and packaging company in 1979, partnering with another colleague who had experience in the printing industry. Today, this company is an integral part of the tea bag industry and has become the number one producer of tea bag tags and sachets in the world, setting the benchmark for other companies.

C01 has extended its activities around its tea business to give a richer experience of Ceylon tea and the tea industry. CJ conceived the idea of offering a tea country experience to tourists by opening up four estate bungalows fitted out as boutique guesthouses, a venture that managed to get lot of publicity, word of mouth promotion, and 80 per cent occupancy. CO1 also owns a 60-room luxury hotel in the southern part of Sri Lanka.

Summary

C01 started as a traditional born global firm, but its pre-venture formation stage goes back decades to include the entrepreneur's prior experience. Its history indicates that the opportunity development process is a path-dependent process influenced by entrepreneurial, network, and firm level factors. The survival of this BG firm can be attributed mainly to the continuous value innovation capability of the firm, supported by the entrepreneurial capabilities of the individual/founder.

5.3 Overview: Case C02

Incorporated in 1979, C02 was set up by four enterprising individuals who had in-depth knowledge of their respective fields, as well as of the diverse activities of the tea industry. The founder chairman was a medical doctor who initiated the firm's foundation but he was not involved in running the business. Another founder member had extensive experience in the industry and was a well-known personality in the tea industry and worked for one of the largest tea brokers at that time. The third founding member was an eminent individual in the fibre commodity sector, working as a trader. The fourth member came with a financial background.

A wealth of knowledge came together to present a single opportunity to develop a niche market for Ceylon tea employing (at the time of the study) close to 100

people. It is a family-owned company with an external board of directors. C02 is a well-known company in Sri Lanka selling 4 million kg of tea every year with a turnover of close to 2 billion rupees (USD 15 million). However, the company's predominant export remains bulk tea (90%), fetching an average price per kg (Rs 420/=; C01 per kg value is Rs.880/=) from the tea auction due to the standardised nature of its products. It supplies a few of the world's renowned tea houses such as Twinings, and exports to over 20 countries. C02 caters to two segments: a) the premium end of the volume market, b) gift market teas (presented in packages incorporating indigenous raw materials and traditional Sri Lankan concepts).

Background

The entrepreneurial team at C02 had a wealth of experience and expertise not only in the tea industry but also in other commodity sectors. However, it was the Managing Director who had been in the tea industry and held positions in the Sri Lanka Tea Board (SLTB) who identified the opportunities in the niche markets for Ceylon tea that led to the creation of C02.

“The founders, the very eminent individuals in the industry with the open economy system in 1977, felt that there was a need, or the opportunity has come to start up an organisation to export tea. Early on it was more state oriented, selected companies were in the business. So, they identified this vacuum and felt a company should be formed. And the main objective of the company was to cater to the niche end of the market” (C02 - Senior Director).

This comment indicates that prior knowledge is a key factor in opportunity identification. In addition, the company's ideas were supported and funded by BPD (the parent company dealing with premium watches and jewellery for over 137 years).

The first opportunity was developed using the existing trade networks and the subsequent opportunities were identified again mainly through networks and trade relationships. When the entrepreneurial team is well-known in the industry and has a favourable reputation, it becomes easier to attract more opportunities.

Venture growth

Once the opportunities are identified using networks, development and exploitation of them depends on the how this knowledge is integrated with the company's capabilities. The entrepreneurial team knew about the potential markets and they had access to financial resources through BPD. C02 became innovative in terms of the process and structures required to offer their clients a product of superior and consistent quality. They invested heavily in improving these attributes to provide a superior service to their high value clients.

“If you supply a quality segment, you want to get the quality products to supply. I believe we pay a premium for our supplies. Even at the auction if you look at our purchase price against a volume merchant, you will see the difference” (C02 - Senior Director).

By identifying a market niche, the company managed to create significant value propositions in that segment by way of quality, consistency, and unwavering commitment to satisfying customer needs. The company put heavy emphasis on team work and planning to keep the system efficient.

“We do not start a project without meticulously planning and by being aware of potentialities... anything related to issues you are ready to deal with also. That is where the experience comes in” (C02 - Senior Director).

Customer focus and commitment

C02 is one of the largest tea exporters to Japan. The company was committed to supply its Japanese buyer during the Asian financial crisis, and made significant financial contributions to support the distressed buyer to come through that situation.

“In Japan, where in 1990 we had the Asian financial crisis, we were only supplying bulk tea and the customer was doing the cleaning and packaging; it was a sophisticated operation. We took a bold decision; we made an investment into Singapore, and we took the people from here at a massive cost and set up an operation there. We started a tea blending and cleaning plant. Thereby we gave confidence to our customers saying ‘Look we are here to support you and we are capable of doing that’” (C02 - Senior Director).

Value creation

C02’s philosophy is based on providing best quality products and services, but most importantly, it focuses on developing closer relationships with customers. First, CO2 learns about the market and customer requirements, develops products with the customers, and builds relationships that go beyond the normal work boundaries.

The company also invested in developing state of the art facilities to offer a range of blending options ranging from traditional manual to cutting edge blending plants. The high tech cleaning plant is capable of extracting the tiniest impurities from tea, ensuring that the tea meet the stringent demands of its most discerning customers.

C02’s overdependence of its customers comes with a built-in risk factor. One interviewee recalled an incident where one of his employees who started up a new company enticed away one of the company’s key clients. This loss has been a major setback to C02’s operation and it signifies the vulnerability of depending on

customer loyalty alone, without creating a unique value in the product offering. Further, it also suggests that relationships are built by individuals and not companies *per se*. When a good employee leaves, he/she may take clients along with them.

Access to resources

C02 was fortunate to be supported by BPD; when it comes to finances, these were available over the counter. The reputation of the founders has continued into the second generation and the company still has a thriving reputation in the industry as a trustworthy company.

“Our reputation was so high and they were ever ready to give that facility and our company also had a good track record with a very positive rating, plus if the things go wrong they knew BPD is behind to bail it out” (C02 - Senior Director).

Environmental influence

Sri Lanka opened up its economy in 1977. With this economic freedom, export and import trading took a new turn and many small companies entered the trading business to fill the local and international market vacuum. The proliferation of tea exporting firms forced tea prices down. When the companies are heavily dependent on quality and the price of tea to create value rather than creating value through differentiation, there is an increasing risk of getting thinner margins. This is reflected by the following comments:

“In Sri Lanka it is a fact that our COP (Cost of Production) is high because of the political pressures. Wage increases are not in line with the productivity, we are still having old tea bushes, and there are no plans for replanting. The land

has been given the urban development. You see if you look at Kenya and Indonesia, they have virgin soil; political influence is very much less” (C02 - Senior Director).

Companies need to build a distinct image and a brand not for the company but also for the product. C02 as a company has an excellent reputation in the industry, but it competes purely on superior quality, consistency, and customer service. These factors are insufficient to demand higher margins; growth is dependent on only a few high-volume customers. Ninety per cent of C02’s export product consists of bulk tea exports to premium buyers in Japan, the UK, and Australia. C02’s innovative capabilities are limited to customer requirements and it is not interested in vertical or horizontal integration. C02 is wholly dependent on its key buyers to provide the company with new ideas and continuity of orders.

“In the UK we have to compete carefully with our main buyer. Whatever is said and done, if you look at the volume they give, if you try to market your products on their shelf, you will have conflict. Whatever you do you have to do with their blessings, because you are competing with giants and with limited resources” (C02 - Senior Director).

C02 has created value by focusing on niche markets and supplying some high-volume, prestigious buyers. However, C02’s value creation is incremental and has taken a customer-dependent path without looking at value innovation activities. C02 has grown in terms of volume, but not so much in terms of profitability.

Summary

C02 started its activities as a resource-rich company (with an experienced and influential entrepreneurial team, access to funding through BPD, and already developed networks). This situation made it easier for it to enter the international

market from inception and to continue its activities on the strength of its customers (networks). Value innovation was limited to operational efficiencies and the company put emphasis on maintaining superior quality standards.

5.4 Overview: Case C03

In the era when bulk tea export was the norm and branded tea exports were the exception, C03 took the industry to a whole new level by creating a brand that targeted niche markets around the world. C03 was established in 1983, with the vision of selling premium quality teas that are branded and packed in designer packages. Today, it has built a formidable reputation in international markets, as well as in Sri Lanka, by offering more than 3,500 different products under one brand name, reaching 55 countries, with a permanent staff of 350 people. C03 operates in international market niches, and makes every effort to reach its customers directly. In Sri Lanka, C03 operates 16 tea centres and owns international sales offices in Russia, Japan, Taiwan, Australia, Greece, and India. C03 is a family-owned business and it is the brain child of an entrepreneur who had been a veteran in the tea industry.

Background

AF (the founder) was a brilliant student, an all-rounder in every aspect of school activities. He was selected to go to university but due to family commitments, he decided to give that opportunity to his sister and started looking for a job to help keep the family. AF started his career in 1969 as a trainee tea taster at Brooke Bond (BB), one of the most well-known multinational companies at that time. After a 10-year spell at BB, he left as a tea manager and joined another multinational company. Just after joining the company, he revamped the entire tea department. With the

knowledge he had gained at BB, he changed the organisational structure and salary structure, recruited new people with the right perks, and steered the company into a new direction. He was made a director within 1 year; however, after just 3 years of service, he decided to leave the company.

“I applied for only one job and I got it. After 5 interviews and 75 applicants, I came on top. I got the job. Then I worked there very diligently for 10 years. It was a super career I loved it ... travelled overseas, trained and worked overseas came back and my salary was increased from 500 rupee to a 5000 rupee salary in the 10 year period” (C03 - Managing Director).

He learned everything about the tea industry and marketing from BB, and to date this knowledge has been the most valuable asset he has had in his company.

“I must say that I learnt everything about tea over there from A-Z, every little thing I do comes exactly from them. What I learnt there. Maybe I modified a little bit here and there to suit the time. All the value additions, not to this degree, they converted a commodity to a finished product; that time tea bags were new, it was packet only. But I saw lots of opportunities to use Sri Lankan packing materials and handicraft to do the product” (C03 - Managing Director).

Intention

AF had big dreams and had confidence in his technical capabilities. Even though the managerial structure of multinationals changed after 1960, providing opportunities for locals to take up senior managerial positions, he saw that, no matter how talented you are, getting to the topmost position in a multinational company is a challenging and a lengthy path. He foresaw this obstacle to his growth and decided to leave BB and started up on his own.

“I always had this thing (to start my own business) in my mind. When I joined BB I could see that to become a MD of BB I will have to wait a long time... I wasn't unhappy there, but I could see that there is a long way to the top, and then I left” (C03 - Managing Director).

Venture growth

C03 was started in AF's garage, and he had access to only his knowledge and that of a few of his colleagues who joined with him when he left his previous company.

All I had was my knowledge of tea. Hardly any bank finance, not even a proper marketing set up. We did the buying, blending and marketing” (C03 - Managing Director).

AF had to go through a difficult time raising funds for the venture. He had to face many difficulties in getting support from the banks. His proposals were rejected many times by the state banks and he was ultimately supported by an international bank that had just set up business in Sri Lanka.

AF had continuously developed his networks over the years. He has built his reputation as a trustworthy network partner and used his networks to bridge resource constraints such as funding, supplies, and identifying opportunities.

“You see, if they (suppliers) don't trust you they won't give you credit. Sometimes we have to do the shipment before the money comes. Of course when you work for a big company like BB you are well connected, you are known in the market. That helps you a lot... But to build that reputation takes you a long time” (C03 - Managing Director).

Networks provide resources but the continuity of the value generated through these network exchanges depends on the commitment of both the partners. For example,

C03 started a shop in Auckland in St. Luke's mall after forming a partnership with his best friend (a 'strong' tie) from school who was working in New Zealand as software engineer. However, due to a lack of commitment (working full-time as a software engineer) from his friend, not enough time was spent on developing the business.

"I did not want to continue, I put up the total investment and it cost a fortune. The shop ran for 8 years, there was business but it was not enough. We shipped, we sold but the overheads were high. If he was very good at business then he would have taken this to a different level. I told him many times but he never changed, he was made to be a slave, that's how he is" (C03 - Managing Director).

C03 was one of two Sri Lankan-owned companies to start branding when it first launched its products into the international markets. The company's sales growth depicts a generic product lifecycle development path. It started with faster growth and after two decades in the business, it is now experiencing a saturated level of turnover.

"Over the years we have grown from zero to this level, year on year around 20-30 per cent growth. Earlier the growth was much faster; now the sales have come to maturity point. When I started there were not many people in the market. All the names that you mentioned, every one of them except C01 came after me" (C03 - Managing Director).

C03 is consistently on the lookout for opportunities; it takes parts in all the major international trade fairs. However, having direct outlets in countries, even in Sri Lanka, has helped in getting new customers.

“Trade fairs help a lot, but you get a lot of inquiries from a shop network, that way we have started so many agents. They come here, see our shop and they want to do the same in their country. It is not always possible in all the countries. But when they get a feeling "Oh, this is what I want" then things get off to a good start” (C03 - Managing Director).

Sustaining the business

C03 continuously comes up with new products to deter competition and maintain its superiority in innovation.

We drop certain things when people copy us, and especially when they copy badly and sell it cheap. It takes about 5 years for somebody to really do what we are doing – something similar” (C03 - Managing Director).

C03’s mainstream strategy from inception was to differentiate itself and to avoid selling bulk teas. When the product becomes a commodity with little differentiation, price becomes the only factor that determines the continuity of the business.

I don’t like selling bulk teas, because commodity is a thankless business. Today he will buy from you and tomorrow he buys from another; if there is a 5 cents difference they will go for that. That’s how ungrateful that market is; 90 per cent of the people are like that. We concentrate almost 100 per cent on selling a finished product-our own brand, and only our own brands” (C03 - Managing Director).

Another innovative approach includes selling tea directly to consumers through wholly owned teashops (exclusive tea kiosks setup in shopping malls and hotels) in the domestic market and in international markets. When the first teashop was set up in Colombo, many tea industry experts predicted its failure and thought it was an unwise decision. However, AF proved all of them wrong and today he operates

16 teashops in Sri Lanka and overseas where consumers can taste his cup of tea and also enjoy a meal in a refreshing atmosphere. He also got his distributors involved in setting up teashops selling only his brand. The advantage of a teashop is that consumers see the product, taste the product, and it becomes an all-round experience where they start appreciating the product that looks good from the outside and tastes good too.

“We encourage people to open shops for own products. When we opened the first shop here everybody thought I was crazy!! But today with all those criticisms I went ahead. It took me a good 5 years to hit the top of that. And today we own 16 teashops; across the world we have over 100 now” (C03 - Managing Director).

Trust and reciprocity

C03 has a long history with all of its customers and none of its customers has left it so far, apart from the ones whose relationships were discontinued due to poor performance. AF keeps in touch with all of his customers on a regular basis and these relationships extend beyond the firm’s structural boundaries and function within the borders of trust and reciprocity.

“Customers (overseas agents) have always stayed with us. We have many who’ve stayed with us up to now. Actually none of them [have] left since we appointed them, except where you get a few cases when they are not up to the standard we expect. We had to sack them” (C03 - Managing Director).

Value creation

C03 is the leading exporter in Sri Lanka in the gift tea product gift market. The extensive product range holds the firm’s competitive advantage and the

sustainability of its export strategy. This approach is further strengthened by the niche market approach and being considerate about the changing habits of tea consumers.

“We have to always think of new things and keep changing. Even with the teashop concept, you have created one design at one stage; then you think it’s not suitable for the modern set up and you change it. Similarly, we have changed the product and packaging. Other than drinking tea, people’s habits have changed that also we have taken into consideration” (C03 - Managing Director).

Summary

C03 started small with a limited resource base. The only valuable resource it had at the time of inception was the industry and marketing knowledge of its founder entrepreneur and two trustworthy individuals. C03 succeeded due to its niche market approach and unique product offerings. It further capitalised on the network resources using the reputation and trustworthiness which the entrepreneur had built up over many years working in the tea industry.

5.5 Overview: Case C04

Established in 1994, C04 was formed by an individual who had more than two decades of experience in the tea industry as a tea taster. His sons entered the business fresh from school 2 years later. The company remains a tightly controlled family unit catering primarily to a high-volume client in Japan and 25 countries worldwide. C04 is a significant player in the Ceylon tea industry (among the top 20 exporters), exporting 7 million kg annually, mainly in the form of bulk tea (76 per cent of total exports). The business’s strength is in its joint venture partnership with a market leader for tea in Japan. This partnership has contributed to faster growth,

subsequent investments in processes, and the gaining of leading market positions in Japan and Hong Kong. C04 is endowed with advanced cleaning, blending, and processing machinery, something which is not enjoyed by even a handful of companies in Sri Lanka.

Background

“My father first started in 1972, working for multinationals for almost 40 years. [He] started at Harrisons and Crossfield’s (H&C). First, he was at Forbes and Walkers for 4 years then H&C; he was there till [the] early 90s. Worked for another company called TT for a couple of years and then started this, that was in 1993-1994 on his own. So we have been 16 years in the tea business” (C04 - Senior Director).

Venture formation takes time. An idea of starting up a business may lie dormant until the right conditions are met. In the case of C04, it took a little over 20 years to create the venture.

C04’s initial opportunity identification came as a result of trade networks and skills in relationship building. The first business contact was developed 15 years ago when the founder entrepreneur was working with H&C; when he moved companies, his client also moved along with him until he formed his own business.

“Actually it is through Harrison, when my dad was there, he was pretty much in charge of everything there. So when he moved he took the Mitsui account with him. They knew from that time. That connection goes back that long” (C04 - Senior Director).

The above statement confirms that individuals build networks, and that individuals not companies, exploit network resources. The personal relationships developed in the trade extend beyond the boundaries of the organisation, hence, superseding the

structures and processes that are in place. This outcome is a result of the superior relationship building capabilities of entrepreneurs and the level of trust and commitment they possess. It is also an indication of how network partners look at opportunities. The exchange value realised because of relationship exploitation takes precedence over organisational structures and processes (contractual obligation). This actuality also indicates the hidden danger in relying on networks without continuous value exchange between parties to make both network partners better off.

Venture growth

C04 entered into a joint venture partnership with its Japanese client in 2000 and, as a result, had ready access to financial and technical resources and was able capture a substantial portion of the Japanese and Hong Kong market.

“They have invested with us in terms of machinery and equipment. So we are working very closely with them. We are very secure working with them. There are absolutely no issues with the payment and things going along well, absolutely zero risk. So you know that has kind of helped us to build the company to this level” (C05 - Senior Director).

Identifying a resourceful partner has made all the difference to C04’s success. This example illustrates that entrepreneurs are not mere risk takers; they are opportunity seekers who take action at the right time and in the right place. Apart from market share factors, the right partners bring financial security and a guarantee of business activity for a foreseeable future.

“It has been a slow start. But we have very strong partners; we work very closely with them in Japan. For most of your business, I would think easily 70 per cent of our business would be with them, I mean the core business, targeting key

markets, like Hong Kong, and Japan where we are the leading exporter in those markets” (C04 - Senior Director).

Value creation

C04’s main value innovation strategy is to offer premium quality bulk products at competitive prices and develop close partnerships with its selected clients. This strategy is similar to the strategy employed by C02. It is evident that when you are exporting bulk products, with very little value addition, your competitive advantage is dependent on strong client relationships and consistent quality of products. Having 70 per cent of the business coming from a single source, could lead to a serious threat to the sustainability of the future operations, were C04’s end partner to face a crisis situation. C04’s approach to branding and value addition is passive and considered as something that must come from outside rather than within the company.

“There is a percentage of value addition and bulk that goes there. But those are on confirmed payment terms so that’s not an issue. Russia is the only dicey factor. There again you know we are looking at forging partnerships. Today it’s about partnerships. If you try to do your own brand, yes there are some people who do that, but no one is going to invest with you” (C04 - Senior Director).

When the company is not geared towards building a brand, not passionate and not committed in the long term to develop brands, it perceives branding as something which is difficult to achieve. The entrepreneurial team believes financing as a major barrier to implement such strategy, yet C04 achieves an annual turnover of Rs. 2.5 billion, placing it in the top 17 earners in the country’s tea exporting industry. This aspect strongly indicates the influence of managerial mindset in setting the strategic direction of the company.

“Maybe we can change the way we make it through value addition. But it’s not as easy, if you take a company like C01, you would have to say that they are the most successful company that marketed Sri Lankan-made brand. ‘X Brothers’ are also successful, very good. But getting there has been very, very tough; you cannot get to that position without help. If you take the list of exporters (currently 393 companies are registered with the Sri Lanka Tea Board as tea exporters of Sri Lanka), very few have been successful in doing that. The biggest thing is financing” (C04 - Senior Director).

Another important finding is that C04’s wary approach to branding is due to its lack of knowledge about branding and international market characteristics. The company has depended on a single customer for a long time and has been supplying products with little value addition. Therefore, having experience in the industry and knowledge of the tea industry are not, of themselves, sufficient to create value and innovation.

“When you do your own brand in whatever the country, you have to spend a lot of money and the payback takes a long time. There are very few players who can do that. You are competing with Unilever and other packers in those countries who have knowledge about those markets, etc. One thing, we don’t get enough support from the institutions and from the government. On paper it looks very nice but nothing actually works out. We have trade fairs, the tools are in place. But nothing goes beyond there” (C04 - Senior Director).

However, C04 has identified the importance of branding and value addition, but is still at the very early stages of developing it.

“But what I’m trying to say is moving your own brand, you can be lucky, you can find a good partner and things can work out. However, it is a small scale. You start very small. You cannot afford big campaigns. What we have worked

around is stable secure business, get that going in a comfortable position. We do focus on our own brand in a small way in many small parts of the world. We concentrate on that. We like to get bigger without spending a lot of money. Because we have seen some companies go that way and eventually get burnt. You are going to uncharted waters and you do not know what to expect. It's a very difficult thing" (C04 - Senior Director).

What is intriguing is that in the industry, and even though CO4's own experience suggests that branding is the way forward for any company, there is lack of enthusiasm to make it happen in a productive way. The company is comfortable with the way things are and expects the situation to continue, citing existing limitations without focusing on future potential. The current focus is on value exploitation and not value creation or innovation. The company's senior management team look only at their primary markets without trying to understand the dynamics of other potential markets.

"The bigger issue is, branding of Ceylon tea in the world market if you take the entire world tea consumption, we do a lot of exports out of Sri Lanka. If you take Russia, the largest tea importing country in the world, the Ceylon tea range in any packers is a very, very small percentage. Why, because we are the most expensive. We are portrayed as we are, the best, but we are the most expensive. Now translating that, to the Russian consumer, Okay Sri Lankan tea is the best that is why it is expensive. That is a very difficult message to get across" (C04 - Senior Director).

CO4's senior team have the conceptual knowledge about their markets; they are highly knowledgeable about the technical aspects of the entire process of making tea and they are also aware of the social skills that are needed to have good relationships. The question of what is missing in this whole equation arises.

“We strive to maintain a long-term relationship. Without grabbing everything there, we do have select client base. We do 5-6 million kg per year which is a fairly a sizeable amount for us” (C04 - Senior Director).

The team acknowledge the value of branding, but they lack the strong desire to build a brand. The whole process lacks intention and passion to build a brand image and they need to differentiate and create value through various means available for the entrepreneur.

Environmental influence

The Sri Lanka Tea Board governs the import and export of tea, and the regulatory framework comes under the Tea Control Act (No. 51 of 1957). As such, the existing regulations restrict the importation of tea to be blended in Sri Lanka for reexport purposes. It only allows importation of specialist tea (such as green tea) to discourage multi origin blending of tea. However, this factor has made Ceylon tea one of the most expensive teas in the world. Therefore, selling branded pure Ceylon tea has become a major challenge for companies which are new to branding.

“In the rest of the world, most of the other brands are packed using different origin tea. Every other country, I mean producers in India, Vietnam, and Kenya do not have any import restrictions to bring in other origin teas That’s why Ceylon tea is always expensive ... You can’t adulterate Ceylon tea. But that kind of thing is happening in other places.

At the moment there is 35 per cent import duty on value-added goods so we have become bulk exporters from here. If you can bring in the other origin teas then they will look at this case differently” (C04 - Senior Director).

There are no signs to say that the industry is stagnant. It has been growing steadily over the years and the entire production of Sri Lankan tea is absorbed in the world

market. Nevertheless, the industry's infrastructure is weak and growing weaker due to insufficient attention from the government to developing it, and the plantation owners not having sufficient funds to improve it themselves.

Sustaining the business

Apart from the joint venture with one of its partners, C04 does not have a strong presence in other markets. The company has diversified its business into the leisure sector; however, a presence in this sector as a family business existed even before C04 was born. C04 has a good top management team; most of them experts in their respective fields, such as sourcing and blending tea, financing, and production. Their main focus and strength lie in the operational efficiency of the company. They have regular meetings, have hands-on involvement in all of the company's operations and keep a tight control of every aspect of the business. The whole process is driven by the founding entrepreneur, well supported by other directors and family members.

“With the help of my brother we have a very good team. We have kept things very simple. That I learnt from my father. To manage yourself well [you have to] keep very, very strict control of everything” (C04 - Senior Director).

Summary

C04's founder's prior knowledge and his network connections paved the way for the formation of the company. This scenario indicates that opportunities are not built overnight. They are developed consciously and may lie dormant for years until the right time comes. However, it is not the mere identification of an opportunity, but the ability of the entrepreneur to exploit such opportunity, that exhibits the true entrepreneurial nature of an individual.

5.6 Overview: Case C05

C05 was founded as a small company in 1994 with a staff of just three. Today, it is one of the top ten tea exporting companies in Sri Lanka, reaching over 70 countries. C05's primary markets are Russia and the Middle East, and it exports 10.6 million kg of tea annually with a turnover of 6 billion rupees (US\$ 45 million). Forty-five per cent of this volume comes from C05's own brand of products. Only a few companies have achieved this level over the history of Ceylon tea exports. The lead entrepreneur entered the tea industry as a trainee tea taster just after his formal schooling ended in 1977. At that time, it was a job reserved for highly skilled individuals who had the passion and dedication to deliver a service that depends purely on grading the tea using visual analysis and tasting. Though there were many tea tasters, only a handful made it to the level JK (founder entrepreneur) has reached today, i.e., developing a brand and marketing it in over 70 countries.

Background

JK's 17 years' experience in the tea industry has made a significant contribution to the initial opportunity identification and venture creation activities. As a tea taster, he was exposed to the arts and science of tea blending and grading. This experience was vital in knowing how to purchase the correct tea from the tea auction. It gave JK the opportunity to obtain first-hand information with regard to various blends and the taste preferences of different clients coming from various country markets. After serving in the industry for nearly two decades, JK decided to venture out rather than be restricted within a framework without much authority.

“I worked for nearly 17 years till 1994, in different companies. So at one stage I thought that I could do better if can go it alone. In the sense, I need a little

freedom. Because when I had to report to my superiors, I am restricted so I have to play within a limited area. So I thought I can do better. It was pressuring me for some time. So I thought I should do something, even though I knew it was very risky and very dangerous” (C05 - Managing Director).

Venture growth

JK started C05 with virtually no resources apart from his knowledge and his wife’s lifelong savings. He operated from his home, getting help from his wife and a few of his relatives.

“The beginning, if you ask me, was that it was my idea was to start the company and run it profitably. We started with very little or hardly any cash and we started from home. I had a small van and a few staff members (3); all of them were relations from my wife’s side. So I could not make any mistakes” (C05 - Managing Director).

Apart from family-based social capital, another important element identified in this discussion was the influence of ‘intention’ in JK’s entrepreneurial behaviour. According to JK, the company found high-volume customers and reached bigger volumes faster as a result of his desire to grow big.

“I thought that inside me I wanted to become big. So I found that I was not in a small volume niche segment and I was in a different line. My vision was to take control of certain markets and slowly we developed into that” (C05 - Managing Director).

JK started with bulk tea exports with clients he had known through his previous work connections, but soon he realised that trading bulk tea is highly limited and there is very little you can do to retain your customers apart from lowering the

prices. There is no differentiation of services and no way to build customer loyalty towards your products.

“When I was servicing some of our clients offering them good quality teas, originally it was bulk tea. Then after 6 months I realised that I did so much I worked very hard to offer them the good quality and to buy good tea at auctions; take all precautions when packing and use all best material, but when it comes to pricing when it is bulk, buyers keep asking many people the prices. If I offer \$4.00 per kg, somebody will offer \$3.95, so 3.90, they keep negotiating with everybody and most of the buyers are like that, they play one supplier off against the other” (C05 - Managing Director).

JK had neither formal marketing experience nor education in marketing theory, but he understood the value of differentiation and simply started printing his company name on the bulk packs he exported. He registered his brand name without any idea what he was actually getting into.

“I thought how to stop this, I knew my quality was good, packaging was good, and price was good. So I wanted to differentiate from others even with the bulk tea I started branding, like 20kg, 30kg, and even 40kg. So, it became a branded bulk. The importer did not have a choice so he had to buy from me because the customer was asking for it. I did not really mean to play a power game with the importer. But I wanted to make sure the customer comes back” (C05 - Managing Director).

The significant aspect of this comment is not only the notion of creating a brand for bulk tea but also the underlying drive of the entrepreneur. It is this clear intention that directed the rest of his behaviour towards the outcome of providing a quality service and a product, differentiating it by making it more personalised by making his expertise available to his customers 24 hours a day.

“I did not have any idea about branding *per se*. But that was not the main focus at that time, I wanted to make sure that something should come to me for the work I have done. That is the only criteria/philosophy I had. I registered this brand here so that others cannot ship the same from Sri Lanka. So that was how I started branding” (C05 - Managing Director).

JK started with limited resources; he had to mortgage his house to get the initial funding he needed to fulfil the orders. He was not known as a business manager but as a tea manager; as such he had limited access to network resources.

“At the beginning we were struggling for funds, we didn’t have money, hardly any capital. I had to mortgage my house to get loans. We were not known, I was known as a tea manager and not as a businessman. The banks used to say that we do not know you. I did not have any known people in my setup so it was very difficult” (C05 - Managing Director).

When the operations grew and the volumes and value of the orders steadily increased banks started to notice the business potential of this operation and started to support his firm.

Every change is a potential opportunity. In this case, JK had the upper hand in negotiation due to his growing business and he took used it to his advantage by negotiating better terms with the bank. The valuable point here is the exchange value of networks. There should be an exchange value that is important to both parties to make the transaction profitable for both the parties. When the value of the exchange is less, there will be less interest in building relationships.

“It was the BOC (Bank) metropolitan branch, they asked me to transfer the mortgage to BOC and they will give us better facilities. Then I said I don’t want to mortgage my house, so if you want to offer finance, then do it without

guarantees. So he agreed to give me 7.5 million rupees without any guarantees”

(C05 - Managing Director).

Since this experience, JK has made sure that there was continuous reinvestment in the business, as he wanted to make the company cash rich so he would never run in to liquidity problems in the future.

“So I got my house released also, this was at a lower interest rate. We now have no mortgages over anything. We have lots of saving deposits with the bank, all voluntary deposits. Not as a security but to support our finances which support our company” (C05 - Managing Director).

At present the business is going through a transition period where the lead entrepreneur is gradually handing over the business operation to a professional team and the second generation of family members. It is a proactive decision to face the changing times and structure the company in a more professional way.

“You need a completely different approach. I have a former Chairman of James Finlay and Company, and we have a former director of the Sri Lanka Tea Board [on the Board]. We have kept professionals to run the company” (C05 - Managing Director).

JK is a humble person, with few expectations and a friendly personality, who has developed a very close relationship with his employees. The organisational culture reflects his way of thinking and the company is managed like a one family unit. C05 did not have a Human Resources department until very recently.

“You know I have been always been very friendly with people. Most of the people when I started the company are still working with us. I had more time to spend in the beginning, visited their houses, I knew their families. So we had

good relationships. I have been working like friends with my fellow workers”
(C05 - Managing Director).

C05 is moving away from a purely entrepreneurially driven decision making model to a more team driven structure, where decisions are taken collectively. It is an indication of how entrepreneurs adapt to new situations over time.

“We have more people working with us and now I always get the others’ opinion so they also get involved with the work. My wife and children are already involved in the business so they know everything. It is not easy to build up a relationship. I maintain my integrity and my way of working, discipline, wherever I go I maintain my standards, honesty, and I’m trying to advise them sincerely” (C05 - Managing Director).

Every international market has its own unique characteristics and entrepreneurs must be open to these differences and consider them as possible opportunities rather than challenges to their existing way of doing business. JK is knowledgeable about these distinct characteristics and seems to be well adapted to market changes.

“When you go to a new country, each country has a different way of operating, consumers are different, and trading is different. If you go to Japan, it is completely a different market; they take long time to decide a thing. We work with about 60 countries but we try to understand what they want” (C05 - Managing Director).

Building the brand

Few companies in Sri Lanka have the resources to carry out international marketing activities. C05 is one of those companies that spend about \$1 million for brand promotion using TV advertising and other sales promotional and communication methods such as hoardings, events, and special trade magazines, incentives to

supermarkets, and product promotions to reach their potential target markets. They also attend trade fairs extensively to establish their presence and meet existing and potential clients.

“We use every kind of method available to us to promote our brand and spend about \$1million on brand promotion. Fifty per cent goes to Russia. We do TV advertising; we do other promotions and give incentives to supermarket chains. In Australia we do magazines; we take part in about 12 exhibitions a year” (C05 - Managing Director).

Each international market has its own unique market development approaches. In Russia, C05 has a strong presence. The company used trade fairs to make the initial entry and, subsequently, used the distributor as a primary vehicle to enter the market. With the assistance of the overseas distributor, C05 gets actively involved and takes control of the marketing by managing the entire promotional activities. C05 even recruits foreign managers with local market knowledge.

Influence of the tea auction

The tea auction has a major influence on the price of tea. It is the demand and supply that determines the price, not the relationships that you have with suppliers and your volumes.

“Ceylon tea is expensive not because of the cost or production but because of the auction. The auction, it creates more demand and no one decides the price. It is a supply and demand situation, even if our price is the highest if no one wants it, you cannot get the price. It is not the producer who decides the price, it is the demand. There is no connection between the buyer and producer” (C05 - Managing Director).

This system is advantageous to everybody due to the independent nature of the way that the pricing mechanism works. However, the tea industry is over 100 years old and there are many parties (brand exporters, traditional buyers, brokers, plantation companies, small holders, etc.) involved in the system, which makes it difficult to implement new changes or improvements.

C05 uses different entry options in different markets. In Russia, Dubai, Kenya, and Australia the company has its own sales offices; in other countries it operates through exclusive distributors. Apart from being present in the market, companies do not invest in manufacturing activities. In this context, distributors have some bargaining power, but ultimately it all rests in the consumer's hands. Unlike unbranded bulk products, branded products reach consumers directly.

Sustaining the business

Entrepreneurs are not solely driven by financial gains but have a broader perspective. They work on a goal that involves a wider community than that of the organisation. They have a genuine desire to make a positive contribution to society. It is this perspective that adds to the breadth of the operation and ultimately decides the size of the company.

“Success is not only financial. You need to be successful with your family, and have everything, not only money. So that is very important, then you have to be honest and sacrifice a lot in the sense of time and what I feel is the honesty, discipline and hard work and have a vision or a plan.

Everything has to be based on, well, should be money, but if you try to set it only on money you lose focus. It is about giving back to family, to people. Whatever I do has to help even the country” (C05 - Managing Director).

C05 reached 60 international markets within a 10-year time span. It had a focused approach from the beginning. It continuously followed a few basic strategies to keep it on a par with other best performing companies (i.e., providing good quality products and a service, differentiating the product through branding, and continuously building up the customer relationship and the customer base).

Summary

C05's BG path was influenced by the intention of the entrepreneur. He wanted to export branded tea targeting high-volume businesses. This goal led to targeting such customers and winning them. C05's founding entrepreneur's ability to understand market differences and his ability to offer customised products to suit these requirements enabled the company to grow aggressively into the Russian market.

5.7 Overview: Case C06

C06 is among the top 10 exporters in Sri Lanka. Since its inception in 2000, C06 has been successful in marketing products in 35 countries across the globe, primarily to the Far East, the Middle East, Russia and CIS, and other countries in Eastern Europe. Eight years after its inception, C06 achieved a significant milestone by exporting 10 million kgs of tea and reaching Rs4.5 billion FOB (US\$ 34 million) value in tea exports (Colombo Tea Traders Association, 2009).

Background

In 1986, the Founder (LD) started his career as a tea taster in one of the well-known companies in the tea industry. He was exposed to every aspect of the tea trade there, but decided to leave the country for better prospects in 1989. LD spent two years in the UK taking up jobs that did not interest him much. As a result, he came back to

Sri Lanka where he worked for two more tea companies until the year 2000 when his life took an entirely different direction due to an internal dispute in the company he worked for. He decided to leave the company to start one of his own.

“I was working with Finlay’s (MNE) and two companies after that, probably really did not want to go on my own. As such, I did not have that idea 10 years ago. But circumstances made me this way and decided to go for it. Something which I was promised did not happen in the company. I worked, I waited for 2-3 years but it did not happen. I realised I could do more by having it my own way, and went for it” (C06 - Managing Director).

Access to resources

LD started his own company within two weeks of leaving his previous company and decided not to work under anyone anymore. For two months, he did not have any orders and sustained the business using his own savings. The first order came from Singapore, from a client that he had got to know through his previous work place. This order originated as a result of his professional network and his social skills. The reputation he had built over the years helped him to get a breakthrough to a client who happens to be the biggest tea buyer in Russia.

Generally, clients do not send payments in advance. Even if it is by way of a letter of credit, you must have bank facilities to honour the cost of raw materials suppliers. In the case of C06, LD did not have access to such a large sum of money. He was supported by a partner who invested in the company and his banker. Apart from having these funds, he had a well-qualified team who joined him from his previous workplace after getting to know that he was starting a business of his own, and he also had the support of people in the tea industry.

The trustworthiness LD has built over the years in the industry and among his clients paid off for him richly when the time came. Another important factor is the “exchange value” of the transaction. Clients knew his products were of good quality and banks knew that his client was not a person to take unnecessary risks; hence they saw the value of reciprocity.

“It is the contacts which I have made during my time that really helped me; actually some of my clients sent me money when I was short of money. Usually they give money after the shipment is effected. But some people when they confirmed the order they sent 75 per cent of the value. Also some banks knew when the money was coming before the order was shipped out so there are people who trust this guy, so when we went and explained to the bank they said they can consider giving the facilities. Having a relationship with the bank really helped me” (C06 - Managing Director).

Venture growth

LD has also taken decisions in rapid succession such as from leaving a company to forming a company. But these decisions were influenced by the possible opportunities that he had developed over the years of building relationships with his clients and his own knowledge and capabilities. He sees his fast decision making skills as one of the advantages he possessed in developing the business quickly. This decision making skill has come from using heuristics rather than going through a strategic decision making process. He has confidence in his gut feeling and takes decisions based on trust and potential value rather than focusing on the cost incurred.

“At the initial stages I was able to decide fast so that probably was the reason, was a plus for me. I will look at the worse scenario, like if there is a loss, what

is the worst loss? Then I think on whether I'm able to sustain if everything goes wrong. On that basis, we discuss. I take the final decision to go ahead.

I would look at, but I am not a person who will go to the last cent. Rather if I see an opportunity to take then I will take it. The cost side is not my forte. I let the accountants to do that. I see the bigger picture" (C06 - Managing Director).

Taking quick and timely decisions keeps the entrepreneur at the "head of the pack". It is also equally important for the entrepreneur to be aware of his/her limitations and capabilities. Entrepreneurs take informed decisions and they keep information avenues open as a means of keeping themselves up-to-date.

"I believe in my capacity, I know what I'm capable of most of the things you have mentioned. It is like this. Within the company, it is my way of doing things. I get the information from my managers; if I am not sure I cross check with someone outside. If it is foreign currency booking (something that is not in his area of expertise), I cross check just to be sure I am guided [in] the proper way. I'm up-to-date with the new information" (C06 - Managing Director).

Entrepreneurial decision making is a process that involves heuristics. Only information that is critical to the decision is sought; the rest comes through experience and gut feeling.

"Yes, I also look at the bottom line when it comes to financial decisions and mainly my gut feeling. I do not want to look at each and every detail. I take the decision quickly based on my gut feeling which so far have given me good results and I'm not afraid to continue with that" (C06 - Managing Director).

Once the business is formally initiated, it also creates a chain reaction where structure and processes come into place to sustain the value creation process. The

company becomes the foundation for resource integration, a repository of resources and means of coordinating them.

“The Russian customer was not willing to give business on a platter; we had to make deliveries on time; when we made a shipment the documents had to go on time. So it was a whole chain of links. This customer buys more than a million kgs from Sri Lanka per month, so that was what we had; we had a thing which could go up to 1.2 million a month, so for that I had to gear ourselves and structure step by step. If I didn’t have the factory warehouses we wouldn’t be able to supply” (C06 - Managing Director).

However, the entrepreneur dictates terms and uses the structure and system to his/her advantage by focusing on the end result that the system is geared to deliver. By focusing on the end result, entrepreneurs achieve better results than conventional managers who are stuck within the boundaries of organisation systems and processes.

“Especially the accounts guys always say, don’t do this, until we get more business, but I said no. For us, if you are looking at business, let’s do this; if business doesn’t come, then we can go back. My aim was to increase the growth year on year by 20 per cent. It was a huge thing, but we achieved it!” (C06 - Managing Director).

LD also understood the value of employees’ mind-sets and their commitment to his cause. He was particular about the well-being of his workers and made sure some of his profits were shared by his employees in the firm.

New business opportunities must be identified continuously and trade fairs function as a platform to meet new opportunities and strengthen the existing image of the

company. Also, it was found that the brand or the company name has the capability to make an impression in the mind of new clients.

“Actually trade fairs help. From 2001 onwards, we have spent money on trade fairs. Let’s say we had to create the C06 name in the minds of the customer. When they see us in Germany and Paris, people realised that the C06 name is an old name, so they thought C06 had been there for a long time. So we also carried it the same way. By seeing our name in trade fairs, people got confident in placing orders with us.

The second thing was from the day one onwards I had in my mind that we have to create a brand. The designs have changed along the way, but then we came out with the brand, we ended up attracting people. It caught people’s eye so that they would do business with us” (C06 - Managing Director).

According to LD, the new business opportunities are always made with a lead contact either from a trade fair or through a trade network, and developed gradually over a period of time.

“New markets, we would go with a lead, at least a trade fair lead. The initial lead is always there” (C06 - Managing Director).

C06 has identified branding as the key differentiator and a strategy that is difficult for other tea exporters to pursue. Not only did CO6 launch successful brands in different regions; these brands had a professional appeal, attractive packaging, and were bespoke products with international demand developed from his own creative ideas. The company is moving from being simply a bulk exporter to a company that sells value-added branded products with a year on year 20 per cent growth in the branded product category.

“Our value-added business is increasing 20 per cent per year. We are looking at doing 8 million in bulk and 3 million value addition” (C06 - Managing Director).

Brand development takes time and it is a costly process. The bulk tea exporting business covers the overheads, whilst branding brings stability, higher income, and security in the long term.

“We need to do bulk to cover the overheads. Our structure is such that we need confirmed amounts of money to carry on. Branding takes time; probably for the brand design only, we need to pay 2-3 million rupees per year” (C06 - Managing Director).

Challenges faced

Apart from the decision making skills, knowledge and capabilities, entrepreneurs have to face the challenges that come from the external environment. They need to persevere and confront these challenges in their everyday business activities.

“I went through a very unorthodox way of starting up a business. The earlier company wanted to get an injunction on me and I never knew law to that level and going to courts and sorting myself out and he filed an action and that court case went for four and half years...

At that time paying their (lawyers) fees was an issue for me and financially that was a very difficult period for me. If you are patient enough you can weather any challenge that may come to you. But you have to believe in yourself, and do the right thing” (C06 - Managing Director).

Value creation

Tea exporting does not require significant value-creating activities. If a company is capable of meeting the auction prices, providing a service better than the industry average, then there is a possibility of securing a business opportunity with a potential client.

“We have to operate in the auction. So it is the skill you have as a trader and a blender. Reading the market and you cannot only look at the price today; you need to look at what should happen with the little stock you have; can you play around with it?” (C06 - Managing Director).

However, a clear difference between C06 and the average tea company lies primarily in the strength of the Russian client and C06’s ability to add value to its offerings continuously by way of fast product adaptations and offering new tea infusions in quick succession. C06 found a client who is the largest importer of tea in Russia. With this breakthrough, the company entered one of the world’s biggest tea markets with virtually no significant investment on the part of the company.

C06’s main competitive advantage is in its quality, consistency, and innovative packaging. It is, however, focusing on developing a brand image and providing branding support for its client. The creative ideas come from the lead entrepreneur himself and there is a professional brand design company working on his ideas on a regular basis.

“We are planning new products as we speak. Even for the forthcoming Christmas we have developed new products so our new product development is on the ball always. This gift market is big so we have decided to expand on this line. All these designs we have come up with are our own ideas.

We come out with 12-14 different designs. So there will always be new varieties and designs. We are developing the website as well. We have realised that we were not that active on the web, which we are trying to sort out this year” (C06 - Managing Director).

C06’s product range is on a par with any other international brand. Highly sophisticated and creative packaging and innovative tea blends have made C06 products stand out from the generic tea exporters. They offer high value-added teas with an exceptional range of varieties, a feat that could only be achieved by a combination of skills of the trade, and marketing knowledge, and the creative ability of the entrepreneur.

Sustaining the business

C06’s phenomenal growth is a result of the growth orientation of the lead entrepreneur. Clearly, the activities are led by the goal directed behaviour of the entrepreneur and his team. He not only pushes for high targets, but is also actively involved in every aspect of the business from sourcing, to production, finance, and marketing.

“You need to have a plan and your strong will. You need to be able to stand and not bother too much about the surroundings -as long as you have a target that you need to achieve. You need to have a dream and follow it” (C06 - Managing Director).

He is passionate about his business and offering products that are superior while he continues to add new themes and value propositions.

“I love what I do. I always had a vision. I was initially looking at developing the business one step at a time. If I am doing 12 million kg of tea then I want to do 6 million of value-added. That is my aim now. You cannot change overnight,

it also depends on the trust that the parties have with each other. It needs to be a give and take kind of a thing. We need to look after the customers and then only customers will look after you” (C06 - Managing Director).

Looking after the employees is another factor that has made the difference in C06. Employees are in a profit sharing scheme and they are well looked after by the personal intervention of the entrepreneur. Finally, this company’s current success comes down to the relationships with its customers, suppliers, employees, and other trade partners.

“Even, the profit that we have we distribute 20 per cent among our staff based on their contribution to the company. So they have ownership and they know if you work you will get rewarded” (C06 - Managing Director).

Summary

C06 started its activities in an unorthodox manner as a result of a life incident experienced by the founder. C06’s development path was highly influenced by a single client. This case exemplifies that with the right networks, skills, and commitment entrepreneurs pursue their goals even under stressful and uncertain situations.

5.8 Overview: Case C07

Founded in the year 2000, the company has achieved much of its success through the quality of its products and creative packaging. It has an extensive collection of product varieties to meet a multitude of customer segments. C07 is headed by an entrepreneur who has a wealth of experience in the tea industry, as well as branding and marketing. His partner is a qualified accountant and a marketing specialist. At present, it operates in over 30 countries with 40 distributors and has its own sales

offices in the UK and USA. It markets seven of its own brands in different regions, targeting different consumer segments. The company provides employment to 350 people, exports 1000 tonnes of tea per year with an export value of US\$ 15 million.

Background

The lead entrepreneur, GJ worked in the plantation sector for 14 years. He was trained by British expatriates who initially worked in the plantations and then joined the government service due to the nationalisation of the tea plantations. These British expatriates were highly trained professionals in the industry and enterprising individuals who groomed GJ to reach high standards in terms of all the technicalities of tea blending and marketing.

“My background has created the opportunity for me to start. I mean the work experience. This is what I tell my people who are working, you work and develop yourself, knowledge, work, perseverance all that and they identify you as a product. Then it is very easy for you to start a company, you are already there. It’s only the formalities then” (C07 - Managing Director).

GJ and his partner SH used to work together in another company and their partnership has proved valuable for both of them.

“The background, he (GJ) has better production knowledge than I do, because he is real tea man. His industrial engineering background has helped us a lot in developing this business from the scratch” (C07 - Senior Director).

C07 started with these two enterprising individuals who had complementary skills and knowledge that made the company a successful contender in the international market. The following quote exemplifies how an entrepreneur sees new opportunities. Like most of the other tea companies in this study, C07 also found

its first venture creation opportunity came as a result of prior knowledge, experience, and the networking skills of the two entrepreneurs.

“Opportunities do not come to you, unless you are damn lucky. You need to develop them. When you are continuously working on something, you are bound to see opportunities in that line” (C07 - Managing Director).

Though, prior knowledge is a critical element in opportunity development, entrepreneurs have to persevere to build their reputation and expertise along the way to a level at which it becomes easier for them to identify and exploit opportunities using their accumulated knowledge and capabilities. GJ’s knowledge, capabilities, and commitment pushed him through the company ranks to become a senior director in his previous company, but it was the reputation he had built up as a capable individual that made all the difference in starting up a new venture.

While working in his previous work places he had built a good relationship with his clients, by giving an excellent service and by being close to them most of the time. When he started his own company many of them followed him.

“It’s just the way I worked, nothing else. Any time the mobile is on, answering in the weekends, travelling, going to a show this evening, tomorrow morning first flight to Colombo, still I do that. So it just happened like that. When I started all the customers came with me ... people who are successful have gone through a lot of hardships, which is applicable to everyone because not everyone is born rich” (C07 - Managing Director).

Both the partners were confident about their capabilities and they started the business with limited resources. This partnership combined a wealth of industry knowledge with the new managerial thinking of the younger partner SH.

“We didn’t have a huge target as such when we started the business. The only thing we knew was that we are good in this business and very confident about our knowledge and expertise in the industry” (C07 - Senior Director).

The following quote summarises GJ’s experience about opportunity development. In this case, it can be attributed to existing knowledge and know-how (ability to perform or capability).

“More than your decision making, still it’s the right time at the right place kind of a thing, and you have to be prepared to take it. You should be able to see it. I have done that. Within this sphere, there may be some new kind of a tea bag, people have not noticed it. Then we may want to take notice of this and if it is something that works and then we have worked on it. We have done that and it works. I think your experience and know-how helps a lot in identifying opportunities” (C07 - Managing Director).

GJ is involved in every aspect of the operation of the company. As the lead entrepreneur, he is setting an example by being hands on with every operational activity. He designs the packaging and leads the creative developments of all the products and new developments. But, also uses overseas branding companies when there is a need for niche market targeting where market specific tastes are important in differentiating the product.

“We in this country believe that bosses don’t work, they only get work done. No. You’ve got to be hands on. You have to get involved. In that way you know what’s going on. You have to be on the ball” (C07 - Managing Director).

Access to resources

C07 had, like the other cases in this research, also started with the owners’ funding and gradually building up their resources to reach their current level. This approach

indicates a path-dependent process of resource and opportunity development.

“We took a risk and started. The second year the biggest issue was finance. We did not have sufficient resources including initial working capital to get what we wanted to achieve. We were toying with the idea of branding and international marketing ... We came up with a customer centric theme (customising products quickly to customer requirements and offering flexibility in operations based on customer expectations) to build a successful business.

We did better, the first 3 years we grew 100 per cent year on year, so that put immense pressure on finance” (C07 - Senior Director).

Developing and sustaining the business

C07 is not a company overly focused on differentiation to gain competitive advantage in the international market. It uses a balanced approach by having a mix of bulk (cost leadership) and branded (differentiation) tea under its product portfolios.

“Sri Lanka still exports 50 per cent of its production in the bulk form. Value addition in tea refers to retail packaging that is sold directly to the consumer. Very few people had the vision and courage to make a change to the industry, but the vast majority of others are bulk tea traders and pure private label contract packers. We do a healthy mix of both our own brands and major overseas brands. Value addition is more sustainable not only for us but also for the country” (C07 - Senior Director).

Developing brands and being closer to the international customer is a more complex situation than tailoring your products to a domestic market. It demands specific country and market knowledge, technical knowledge, and skills to blend the right mix of tea, and the ability to be flexible in production.

“Developing your own brand would mean developing production solutions to meet end consumer requirements. As I mentioned earlier this will involve serious knowledge and investment into product development which very few are capable of or willing to do. But we have taken a risk in that regard. We need to be constantly up to date with the markets, knowledgeable about the trends, aspirations, and competitor products” (C07 - Senior Director).

Sri Lankan tea exporters are encouraged to use 100 per cent Ceylon tea in their products, but this choice makes the product more expensive in the international market. C07 from its inception focused on blended tea exports and offers its products more competitively in markets such as the US and UK where the mainstream competition is not visible.

“With the vision we had developed at the initial stages, today our customers and consumers can get a tailor-made tea of any origin, any blend, in their required packaging and the way they want it in all regards. We do not try to force them to buy ‘our’ cuppa tea. That is why we believe we have ‘built-in brands’!” (C07 - Senior Director).

Brand building strategy

Despite its lack of resources, C07 has developed its business rapidly using a strategy that no one else in the industry has followed so far. The company has created many sub-brands, some their own and some using private labels, to penetrate into different market segments.

“We do multi-branding, 60 brands, of which 10 are ours and the rest are others’. This is to prove how we mitigate our risk. Then in one market we do 15 brands, in the UK we do 16 brands, in the Netherlands we do 12 brands. Those include ours, as well as private labels, include several distributors, and include several

segments in the market. UK, for example, grocery, supermarket, department store, gift shops, cafes, hotels, and you name it, every segment we are there. In the USA, it is the same thing. In The Netherlands, it is the same thing.

If you take this model, you cannot compare that with another tea exporter who is trading. Also in all these places, we have our own setup there, our own inventory and sell to the final customers” (C07 - Senior Director).

CO6 uses multiple entry methods to enter the markets faster and more importantly stay close to the customer through exclusive distributor agreements.

“In the USA we have our own sales office. UK it is a JV (joint venture), it is as good as having our own. Having an office in the EU especially for organic products is not that easy; the most difficult market to trade organic tea is the UK. From our UK warehouse, we are delivering to other EU nations, thereby, saving on customs regulations, taxes, duty, and other cumbersome export procedures.

In the Netherlands, it is a JV but we do not have a contract as such but we have an understanding. We will sell through them only. Everywhere else it’s alliances. We do about a billion rupees a year. That is divided among so many customers” (C07 - Senior Director).

The two partners generated the sub-brand ideas. They have developed an extensive range of new products catering to new market segments such as children and young adults.

“If you have seen the designs that we do now, you will be amazed. All these designs were done with the creative ideas of our chairman and me. Of course, this time we also used a graphic designer based in the UK. We have segmented

the products and even created a category for kids. This is a unique approach from any way you look at it.” (C07 - Senior Director).

Value creation

C07’s operations in European Union (EU) countries have grown substantially since its operation started in 2007. It ventured into the EU not knowing the true potential of these markets, and within three years, it became the company’s biggest market in the world. This outcome implies that entrepreneurs use limited information effectively and follow their gut feelings to quickly capitalise on opportunities.

“With regard to the EU, we just went ahead, with the decisions taken very quickly. Take, for example, our EU setup; in 2007 our exposure to the EU was zero; today after 3 years that’s our biggest market giving us 40 per cent of our total sales. This is coming from the EU countries. We just went in and then saw the opportunities. Even we ourselves, we had no idea!” (C07 - Senior Director).

C07’s approach is different to that of many main stream tea exporters, since it uses marketing and branding tactics to pull in consumers with new, creative and innovative product flavours, designs, and packaging.

“If you ask any person in the industry, they will say that everybody drinks cheap tea and you can’t match the Kenyan and Indian prices. We went beyond that and identified several segments where we can exist.

Take for an example packs like this. The "English Tea Shop" brand; this is done for the Queen’s Diamond Jubilee; all in-house designs. We sometimes get the help of a UK designer, we only get the concept from him and we do the rest of the development. Products like these you can sell at any price” (C07 - Senior Director).

The following excerpt from SH summarises the essence of C07's path to success.

“Of course my educational background in marketing, finance, and MBA and our MD's exposure to the industry, technical expertise, and creativity of our thinking all helped us to achieve what we have achieved today

We both believe in what we do, and trust that we have built a sustainable business model ... value addition cannot be done if we isolate or ignore the current and future customer. We need to understand the customer thoroughly, more than the product. If you know the problem, it's easier to develop a solution” (C07 - Senior Director).

Summary

C07's success is primarily attributable to the complementary knowledge and capabilities of the two founding partners. C07's niche market strategy and entry strategy made the company thrive in highly competitive international markets. The owners created new opportunities by creatively positioning their products and developing complex product offerings at competitive prices.

5.9 Overview: Case C08

C08 is a family-owned tea exporting company established in 2002. C08 specialises in supplying tea bags for the airline industry and private label tea importers. They also have their own tea brands and export tea in both value-added and bulk forms. Their strongest market is Scandinavia, followed by Europe, Australia, Canada, the USA, and the Middle East. Compared to other case firms, C08 is the smallest firm in this study. It employs 50 people and has a US\$2 million annual turnover.

Background

The lead entrepreneur SP is a mathematics graduate who had over 12 years' international business experience at the time of his venture creation. He started his career as a systems analyst in a well-known exporting company in Sri Lanka. Three months into his service, his divisional manager was discharged for fraud and SP was placed in his position. Overnight this newly recruited systems analyst was heading a trading division of that company where he was exposed to international trading. From then onwards he was a trading man; this newfound path filled with marketing activities and meeting new people inspired him to continue his career to become an entrepreneur himself.

He had the opportunity to work under a highly respected entrepreneur in Sri Lanka in the confectionary sector. After a friend of C10's chairman introduced SP to C10, he worked there for 8 years, gaining valuable marketing experience and developing entrepreneurial skills.

“I was working for C10. I still have lot of respect for their chairman since he is the one who moulded me. I joined them as a senior manager and I left them as a director. So there again I have my own experience. The C10 chairman is an entrepreneur of his own. When he wants to do something, he will go at it and he does not like when people come and say no. I was the only one person to say no and argue with him. I learnt the business from him and I practised with him and later I wanted to do something of my own and I went and told him” (C08 - Managing Director).

Venture growth

Whilst working at C10 using his industry experience and technical knowledge in tea, with the help of Danish partner (business contact, who later became a family

friend) in the airline industry, he developed a tea bag that is specifically designed for airline catering. This tea bag design, which he later patented, was about eight times larger than the normal tea bag and made out of material that would not burst. This innovation/design made tea making more efficient and trouble free for the airline crew. None of the existing tea exporting companies had a similar product available, so he immediately attracted a major proportion of the European airline business. The Australian market was developed in a similar manner, where C10's Australian agent visited SP (at that time SP was the export manager there) and was fascinated by the idea of selling tea in Australia. With these developments, SP left C10 and started his own company in a small way by exporting tea bags to major European airlines.

SP valued being independent and following his own judgements to take quick decisions with the available resources:

“I used to work for a blue chip company. With my own experience, you are not happy working for others. When you think something is right you need to go ahead and do it and I think others are slow movers and don't want to jump to conclusions. But you need talk to others and do your own analysis. Once you take a decision you will never want to change it” (C08 - Managing Director).

This desire/intention makes the entrepreneur alert to new opportunities, since intentionality directs the person's attention toward a specific goal or a path in order to achieve something. In this case, SP's desire to start a new venture, his knowledge in the tea industry, technical capability acted in unison to identify his Danish customer's idea of developing a tea bag for the airline industry.

“Then I joined C10 in 1996. I worked for them for almost 8 years; from there I developed my entrepreneurial skills. That's where the final breakthrough came,

since I had the tea background I had the opportunity to do a small tea bag, they were looking for it. It was a tea bag for airline catering. He was working (Danish customer) in the airline industry and with the crisis in the industry he wanted to start on his own. He fed me with all the information with regard to product development. That made it very easy for me to develop something” (C08 - Managing Director).

He is a calculated risk taker; he did not leave C10 until he was confident enough of getting new orders from his invention.

“There were competitors offering paper bags. The paper bags burst. My bag has a tag and a string. It goes under its own brand name and I started with it and then it expanded little by little. Then only I spoke to the C10 Chairman and told him that I wanted to start on my own; with his blessings I started on my own. I started small in this place; still it is not huge because this is a niche market. But predominantly we started with 11000 orders; today it’s a container load every other month” (C08 - Managing Director).

Sustaining the business

C08’s primary export markets consist of Scandinavia and Australia. Subsequent international opportunities were developed using trade fairs and the Internet (company website) to enter into China, Canada, and the Middle East as secondary markets with lower export volumes. These markets were developed through trade fairs and the Internet (company web page). However, he did not perceive trade fairs as a good opportunity to generate new business; instead he saw the Internet as the future for getting new business opportunities.

A downturn in the European airline industry in 2007 posed a new threat to his existing tea bag business. A steady growth came to a sudden halt, which forced him

to look for new alternatives. This response indicates the reactive nature of his approach to market changes. He started supplying private label products to supermarket chains in Scandinavian and Australian markets using the same agents. However, he lost the opportunity to build his own brand. As a result, the existing business is dominated by private label business dictated by the customer needs. Currently, the international operation is run through agents who stock his products and distribute to supermarket chains.

SP does not perceive government as being supportive in assisting his business or recognising his achievements.

“We are on our own, other than the common benefits business people get. Like dropping the duty on equipment; some times it’s beneficial. But the government is not focused; there is no system to develop small firms. There’s nobody who comes and asks us do you have any problems” (C08 - Managing Director).

SP runs a trading business with little on-going value addition since his initial airline tea bag breakthrough. The location of his office premises does indicate that he is having problems with finances and keeping the place attractive and modern. The products were developed and packs were designed based on customer ideas without any real value generated from in-house capabilities.

Summary

C08 is a relatively smaller and younger company compared to the other firms in this study. Its slow growth and marginal performance can be attributed to the knowledge and capability levels of the entrepreneur. C08’s overseas network is embedded in a low volume business. This situation is directly reflected in C08’s

low international performance levels. Furthermore, the company's lack of dynamism and its reactive stance in coming up with new product offerings have significantly hampered its growth potential.

5.10 Overview: Case C09

In 1914, a 12 year-old HA came from a rural village in Sri Lanka to live with his uncle in Colombo. Starting his career as a dishwasher and then a waiter for 2 years, in 1916 he started his own tea kiosk in Colombo city and the rest is history.

Today, C09 is a 3 billion rupee company, with the second highest market share in the biscuit market (40%) in Sri Lanka. Its production facility is considered one of the largest in South Asia and provides direct employment to 1500 people. C09 was also the first company to export biscuits from Sri Lanka way back in 1963. After undergoing a restructuring process in 2003, C09's international focus was realigned to achieve a significant growth in the overseas ethnic markets as well as the non-ethnic market in over 25 countries. It is still a family-owned company run by the second generation, with the third generation increasingly making headway in its operations.

Though, the company officially started its operation in 1964, its success story can only be comprehended fully by knowing the entrepreneurial career of its founder chairman, HA.

Prehistory

Young HA was a determined individual with clear focus on what he wanted to achieve from the very early years of his life. He had little formal education but had an uncanny ability to identify opportunities and assess the situation correctly, seeing many years ahead of his counterparts.

His first job as a dishwasher lasted only three days. He immediately identified his weaknesses, realising that without learning English he would not be able to find a proper job in Colombo, as Colombo at that time was dominated by English rule, English-only schools and British-educated managers.

HA's awareness of his own strengths and weaknesses made him an enthusiastic learner. He equipped himself with a sufficient knowledge of the English language and started looking for another job. His uncle's brother helped him to get a job as a waiter in a British-owned company. As an English-speaking waiter was a novelty for all the managers, and higher officers in the company preferred to be served by this young waiter. However, his fellow waiters became jealous of his popularity and put salt in one of the tea cups. HA served this tea to the Chief Clerk of the company and disaster struck after the Chief Clerk threw the cup on the floor. This incident changed HA's life and realised that it was dangerous to consort with such unpleasant people. He told his uncle about this incident and left the job the same day. Despite his uncle's pleadings not to act in haste, HA did not change his decision. He learned a bitter lesson by working under others. He thought of going back home and helping his father. His uncle emphasised that going back home empty-handed was not advisable. He explained to his young nephew the success stories of those who came from the South and prospered in Colombo. HA decided to start his own tea kiosk near Colombo and told his uncle about this.

Start of the first business venture

His uncle told him that he was not mature enough to run a business, especially in Colombo. But HA had already decided that he would not work under anybody and that if he failed in this endeavour he would go back to his village to farm. His uncle admired this courageous young lad and told him that he was willing to send his own son to help him run the business.

HA's tea kiosk became popular among the harbour workers. It offered tasty food prepared according to the village tradition, and came at a fair price. HA greeted everybody and knew all his customers by name and their preferred choice of food. For him the customers were his first priority and he gave prominence to them. The tea kiosk operated successfully for some years until HA decided it was time to buy a business and to move into a more spacious place, a hotel.

Inauguration of C09 Hotel

HA put much of his trust in his uncle's son, SV. Together they worked hard to bring the hotel to a state where business started to flourish and it became too overwhelming for both of them to run the business. HA decided to get support from his brothers and invited them to Colombo.

The C09 hotel became famous not only in Colombo but in the outskirts as well. The food was tasty and of excellent quality, and the outstanding service of the staff was something that competitors could not come close to at that time.

Entering into the bakery business

In late the 1940s one of HA's uncles who ran a bakery suddenly passed away. His children did not have any interest in running the business. So 24 years after starting

his own tea kiosk, HA saw this as a good opportunity to expand his business, and asked his cousins to sell the business to him. The bakery added a new element to his existing business. It not only helped HA and his associates to bake the products needed for the hotel; they were also able to supply the bakery needs of other hotels.

The country was in turmoil during the outbreak of World War II in 1942. On the 23rd April, Japanese bombed Colombo and the city came to a standstill. There was no shipping, no transport, and no business. City dwellers fled to rural areas with whatever they could carry. HA released his staff, closed the hotel, and moved to a suburban town with his family.

When the war ended, the government banned the import of certain items and encouraged local production. Local manufacturing was encouraged and government offered its support to any kind of new business start-ups. HA moved back to Colombo, reinstated his two businesses, and focused on capitalising on this new approach of the government's.

Business expansion

HA started his own dairy to supply milk to his bakery and hotels. When the importation of biscuits was halted, it created a vacuum in the market and none of the local bakeries could match the quality of the imported biscuits. HA knew he had to acquire knowledge from overseas and found out that South Indian manufacturers have their own technique of manufacturing biscuits. He immediately sent his loyal manager on a fact-finding mission to India. After his return, they set up a biscuit making line and started making biscuits using manual operations.

He assigned his two brothers to manage the C09 hotel and dedicated his time to the manufacture of biscuits. He worked till midnight and was used to waking up at

3.00am. The main hotel was shifted to a building in front of the Fort Railway station and a new hotel was opened at Boralla.

By 1945, the hotels were registered as a company because of the advantages and privileges they received when registered as a company. HA became the chairman and his two brothers became members of the Board of Directors. His uncle's son was appointed as the company secretary.

In 1948, the import ban was lifted by the government and biscuits and other items poured in from overseas. It was a deathblow to the local manufacturers of biscuits. Biscuits with appealing wrappers filled the shops and boutiques. Consumers preferred attractively packaged imported biscuits. HA realised that the standard of biscuits had to be raised and that the life of manually operated machines was over. Installing modern machines became a necessity. He had faith in himself and was determined to find a way forward.

“What was different with C09, they somehow with state of the art machinery and superior technical and marketing knowledge managed to make products that are on a par with international standards. When the government changed in 1977, import restrictions were lifted and due to that most of the other industries got wiped out, because they couldn't withstand the quality of imported products. But C09 had already set very high standards and taken the whole industry to a higher level. Because the product was of good quality, reasonably priced nothing major happened to threaten the C09 sales. Everything else got completely wiped out” (C09 - Senior Director).

HA gathered information on renowned biscuit manufacturers around the world and found out about the “Baker Perkins Company” in London which manufactured the most technologically advanced bakery machinery at that time. He brought their

managing director down to Colombo and had lengthy discussions about installing a production plant in Sri Lanka. HA decided to go to England and chose SV as his travelling partner.

In July 1953, they sailed for England. They visited the Britannia factory (in India) and obtained thorough knowledge about biscuit manufacture in Bombay, before they sailed to England. After visiting the English manufacturing plant, HA immediately ordered a 1 ton biscuit making machine and headed home.

On the 5th August 1954, the first biscuit manufacturing plant was ceremoniously inaugurated by the Prime Minister of Sri Lanka.

Gradually C09 became a much-publicised name locally and internationally. The plant worked 24 hours a day but demand outstripped supply and a second plant which could produce eight tons of biscuits per day was ordered from England.

When production increased, sales increased; staffing also expanded. Handcarts, three-wheeler scooters, and vans were introduced for the distribution of biscuits around the city, the suburbs, and the countryside. Managers and sales representatives were appointed island-wide.

“C09 was the only Sri Lankan company at that time to use various means to distribute its products such as vans, scooters, and even Lorries. Except for C09, Unilever was the only other company that had sales representatives going to stores wearing a tie. So you can imagine the standard they maintained at that time.” (C09 - Senior Manager 1).

Learning the trade – Second generation

HA did not compromise on the quality of his products at any stage. To achieve this goal, he used only the best quality raw materials, and maintained the only state of

the art production facility in South Asia. As such, he understood the value of the right knowledge, and, acting with foresight, he sent his eldest son and his sister's son to England to train in biscuit manufacturing techniques. When they returned to the island, the CO9 enterprise was ready to open its door to this new generation of management.

A 14-acre lot was purchased near Colombo city. A factory complex was constructed and production commenced in 1965. CO9's fame reached India and the Maldives; the first export order (unsolicited) was received for the Maldives soon after the factory started producing its biscuits.

Business approach of the founder

HA met with his brothers daily, taking meals together, doing physical exercises together. The founder paid special attention to every employee of the company. He was conscious that their sweat and toil have brought this colossal industry to the top. Hence, he shared their joy and sorrow alike.

When he came to the office in the morning, he greeted everyone. The efforts he made to improve their sports, literacy, and cultural activities were remarkable and unheard of that time among local companies. He started publishing a monthly magazine in three languages, organised sports events, beauty contests, food contests, island-wide radio competitions, and talent contests on TV and the radio. CO6's annual trips, religious programmes, community works were a revelation to the other industrialists.

“He is a vegetarian, a teetotaler, and a non-smoker, expected the same from his relations and close associates and led a deeply religious life. He shared his success with the community, built a hospital in his native village, and

generously sponsored construction of temples and their renovations. His financial commitment to them was unlimited” (C09 - Senior Director).

HA earned his wealth the hard way through sheer dedication, whilst enriching the lives of many others and the country, and become a philanthropist as well. The meritorious works done by HA in religious and social sectors evoke inspiration even today as they were done in a true spirit of loving kindness and a genuine desire to do public good. He did not come to Colombo with high expectations. His sole ambition was to shoulder the family responsibilities which he was convinced his father could not handle alone. But he did not ride to success by hanging onto someone else’s shoulders.

“He was a man of great conviction, with an abundance of patience, foresight, and self-confidence; he was prepared to share the fruits of success with others. He was very straightforward, and fairness in business was another strong trait. He never ridiculed or condemned competitor products or products of anybody for that matter. He was proud of anything that was produced locally” (C09 - Senior Director).

He extended his hands and heart to his workforce with similar affection to that which he towards his family members. He never kept his workers at arm’s length. As much as he had faith in himself, he had faith in the dedication of his workers.

In 1970, he passed away peacefully leaving a legacy that changed the biscuit industry in Sri Lanka.

Success factors

HA acquired his knowledge through experience and this tacit knowledge was his main advantage. He worked alongside the factory workers to develop the products

he wanted. They brought in foreign consultants to develop new products and also came up with new marketing strategies. He always had high expectations and aimed to achieve the highest standards in the industry by benchmarking his products with international markets. He did not compete with others; he simply competed with his own ideas. His competitors were small and fragmented, and did not possess the know-how or the capabilities to threaten the 90 per cent market share C09 enjoyed for over three decades.

“If you look back in to the history, he wanted to do things not the traditional Sri Lankan way; he wanted to do everything in a very classy way. For example, the C09 name is generally is not written in Sinhala.

If you look at the old logo, it is just the company name and he always got advice from the British. The machinery was brought down from there. He had a sort of a visionary approach to everything. Even the location of our factory, he has lands, which we have not occupied fully even today; 50 years after building the factory we still have space to build another factory” (C09 - Senior Manager 1).

C09 developed a reputation for the best quality biscuits in the market. This view extended to the production floor and staff of C09. The employees were checked for cleanliness before they were allowed into the factory to ensure that they wore proper uniforms, caps, mouth guards etc. This routine applied both to management staff and the rest. HA started work at 6.00am, conducted religious activities, and visited the factory before commencing the day’s production work. This practice is still continued by the current chairman.

Under HA’s leadership, the company started making chocolates and even began mineral water bottling. It was the first company to export mineral water to the Maldives.

“Our founder Chairman passed away in January 1970 and at that time when we were small. C09 also made chocolates; they had a mineral water company, unheard at that time. (No one thought about selling water at that time). He had very nice cafes, better at that time, better than what we have today” (C09 - Senior Manager 1).

HA was a practical person with a vision of the future. He always worked from a long-term perspective and thought about ways not only to satisfy his customer but every stakeholder of the company. In an era where quality systems were unheard of, HA used oil dripping trays under the Lorries which came for goods distribution to prevent oil dripping to the ground. He was a quick decision maker who was capable of understanding a situation well, with minimal information.

“There is a difference between a successful entrepreneur and an unsuccessful person. The successful one has a hunch. He gets a hunch not by studying financial reports or by studying a feasibility report. He gets a hunch that this will work and he will put some money behind that and do it. He may fail once. An entrepreneur will do 10 projects and fail in 1. HA was a person like that” (C09 - Senior Manager 1).

Taking over the business – Second generation

HA’s eldest son took over the business after his father’s demise. He was trained and educated in England, and was more knowledgeable about the technicalities of baking than his father. The company started facing competition after the 1980s when many biscuit manufactures entered the mainstream distribution channels. The chairman entrusted the operational activities to professional managers, gave them freedom, but retained the final approval with him.

“He kept the tradition going. Like the founder he will come at 6.00am to the office; everyday like clockwork; he will visit the factory floor; every day he will take the full 400mtrs going up and down seeing everyone. He will do all that. He continued the practices but probably didn’t have the burning desire to do better, to do something new. Mr HA’s situation was different. He built everything the hard way. But for the current Chairman, he got the business; he never went through any hardships. When he was born, he was an extremely rich person, recognised in the country. So the situation was different; there is no burning desire to do well if you have an abundance of money.

Everything changed. I think what went wrong was that the company did not change with the times; they were doing everything the good old way” (C09 - Senior Manager 1).

Unlike the late chairman, the present chairman was not involved much with the day-to-day operations and he was also not hands on with the production. He trusted his managers fully and depended on them to steer the organisation towards its targets.

“By 2003, company sales were going down, for the over last 3 years. The company topped its sales in 2000, the highest ever for the company and by 2003 sort of came down to about 30-40 per cent in sales.

Before my time, they did various things trying to recover but could not. I think in March 2003 they realised they wanted some changes and bit of professionalism and a new CEO was recruited. After that he wanted to change, I think there were a lot of old people who were there believing in the old ways who did not want to change. He somehow managed to get rid of those people” (C09 - Senior Manager 1).

C09 became complacent with its high market share and believed that its quality was superior and consumers would stay with the brands. This position/view was changed when C10 came to the forefront of Sri Lankan biscuit production.

“C09 was not doing much by way of a focused marketing approach. It was under the impression that they made the best biscuits in town so everybody has to buy from us. C10’s (C09’s main competitor) chairman had the vision and passion to make a difference in the market, he was also a technically sound person” (C09 - Senior Manager 2).

Many operational issues started appearing in the company due to poor management and lack of attention to consumer needs and not being closer to the market.

“When we joined in 2003 they (C09) were under the impression that they have about 60 per cent market share but when we did the Neilson report we were around 40 per cent. The company did not change its outlook when things started going down; they knew something was wrong but what made that change they did not know”.

The new CEO with his new senior managers restructured the company, improving the distribution, reviving the marketing, and scrutinising the cost structure. After the changes in 2003, by 2004 everything started moving well. We sort of started doing everything a properly managed company would do. So results started coming quickly” (C09 - Senior Manager 1).

International market development

C09 was the first company to export its products way back in 1963. This Maldivian development was serendipitous and came as a result of the fame developed in the local market. For HA, this move was a marketable proposition to gain more popularity in the local market.

“I can remember going to trade fairs with a bag full of biscuits. It was back in the late 1960s and in the early 1970s. We didn’t know anything about international markets but we knew our products were as good as any other international supplier’s” (C09 - Senior Director).

But this trend did not last for long. After the passing away of the founder Chairman, the company became more involved with the local market and lost interest in developing the international market. It took nearly four decades for them to realise the importance of the export market and to allocate resources for the development of it.

“Until 2003, there was no focused attempt to review the exports. They were only reacting to the inquiries they got due to their popularity in the local market. These inquiries also came from the ethnic Sri Lankans who live abroad. This situation changed in 2004 when a new International Marketing Manager was recruited by the newly appointed CEO” (C09 - Senior Manager 2).

With the new management team and a dedicated International Marketing Manager (IMM), things started to develop in a systematic way.

“In 2005, I took over as the IMM. By that time, I had 5 years’ experience handling international markets. So I immediately got on with the task of streamlining the process. We changed the packaging, pricing structure, website, and developed products specifically for the international market.

But, C09 had never taken part in an international exhibition in a professional way. So it was a daunting task. Budgets were not enough. I can remember I had to put up the entire stall by myself, decorate it, and arrange the displays” (C09 - Senior Manager 2).

What is evident here is that the managers first focused on refining the products and packing to suit the international markets. They used their experience to identify potential trade fairs and used the social networks of the top management to identify potential opportunities.

“We tried to get contacts from known parties first. The Chairman introduced some parties who were interested in taking our company to India. We found some contacts through local distributors, and some came as result of web inquiries. We became members of export chambers and used their networks to find opportunities abroad. We got a new contact for the Maldives through a friend of mine, and found the German buyer through a direct inquiry. The Oman business came through a trade fair. The UAE business came through an indirect inquiry. By 2006, we were exporting to around 15 countries and doing three private label businesses” (C09 - Senior Manager 2).

This comment gives a clear indication that opportunities are identified using both serendipity and a search process. But, collective knowledge was build up within the organisation to develop new products to suit the international market and identify potential opportunities using networks.

“We didn’t have funds to do big marketing campaigns. We supported our distributors with promotional materials such as posters. The main support that was given to them was by way of prices” (C09 - Senior Manager 2).

However, even with these developments the company exported only two per cent of its total production. Exporting was considered as a non-profitable, low volume business with no significant growth potential. But C09’s main competitor, C10, approached the international market from a different perspective; it had the international markets in its sights from the inception of the company.

“We are the second largest biscuit manufacturing company in Sri Lanka, with a market share of around 35 per cent. Our primary focus was the local market. That is our bread and butter. The export market was more of a thing that brings prestige to the company - volume-wise, it a mere two per cent of local sales.

There are drastic differences in how we think. Our intentions are different. Especially, the current board consists of family members who are more focused on survival. I do not think we have the same passion and vision like the first era. We have the knowledge, but lack innovative thinking, and are not capable of getting the best out of people” (C09- Senior Manager- 2).

In a family company situation, professional managers alone cannot drive the company towards success. Even if they can, such success is short-lived unless the family members are competent enough to run the company. The Top Management Team (TMT) changes, and with them the know-how and contacts/networks change. These cannot be retained by the systems and processes because most of the knowledge is tacit in nature and relationships are built by individuals not the systems and procedures. So you need people who are capable and people with a passion and commitment to take a business forward.

Summary

C09 is a traditional company that depicts the international development stage of a company. Its international market development started as a result of serendipitous inquiries from psychically close markets. Lack of knowledge, capability, and commitment to develop overseas markets can be seen as the major inhibitors of its international development. CO9 highlights the danger of ‘second generation jinx’. This is an example of what happens when knowledge is not properly transferred

from the first generation to the second, and when the second generation lacks the entrepreneurial spirit of the founders.

5.11 Overview: Case C10

C10 is a successful family business in Sri Lanka holding leadership positions in all of its diversified product portfolios (biscuits 60 per cent market share, chocolates 46 per cent, cakes 75 per cent, and soy products 25 per cent). From its humble beginning in 1968 with 10 employees, C10 has grown into a conglomerate with Rs. 12 billion turnover, providing 5000 direct and 10,000 indirect employment opportunities. It entered the international market in 1982 and had only the Maldives, Canada, Australia, and USA as its export markets until the late 1990s. After the year 2000, it expanded aggressively into international markets, growing over 100 per cent during the 2000-2010 decade. Today C10 products are exported to over 45 countries and the company has plans to establish a production facility in Bangladesh. This organisation is driven by a visionary leader who started his career as a tea taster and then joined the family's biscuit business (a different company to C10) in the late 1940s.

Prehistory

MW (founder/entrepreneur) joined his family business with no prior knowledge of the biscuit industry. He soon took courses in India, the United Kingdom, and Germany. MW came back to Sri Lanka in 1961, having mastered the knowledge of baking and with an extensive knowledge of every aspect of biscuit making and marketing. His younger brother followed suit and undertook the same course of study from 1968-1972 and returned to Sri Lanka.

MW had many ideas to develop the business and he was eagerly looking forward to expanding the business; however, the company was small and lacked the financial might to use capital intensive expansion. The 1960s government did not support importing second-hand machines so he had to look for alternative means. During this time, a US non-profit agency (CARE) was looking for a nutritional biscuit as a means of improving the nutrition of Sri Lankan schoolchildren and many newspaper articles appeared highlighting the unacceptability of the milk and buns that were provided to the schools.

Venture creation

MW saw an opportunity to expand his business by developing a nutritional biscuit. He came up with a nutritional biscuit that met the standards set by the agency and the Ministry of Education. At his own expense, he launched two pilot projects to populate this idea. CARE offered the project to the potential manufacturers. C09, which was the market leader in biscuit manufacturing at that time with a 90 per cent market share, did not show any interest in the project. Consequently, the project was awarded to MW who had worked relentlessly for nine months to come up with the final recipe.

MW's knowledge and capability to manufacture a product that was unique, along with his persistent efforts to operate in a market that utterly discouraged imports, had inconsistent and poor quality raw materials, and a monopoly supply situation, finally paid off. MW launched C10 as a separate entity to his family business to focus on this new development, and to get the tax benefits and other incentives offered at that time.

Venture growth

His family business operation provided the initial funding (30 per cent) for the project after liquidating its assets. It also supported getting the license to import new machinery from Germany. C10 funds came from a number of sources: MW's family, issuing preference shares (30 per cent), offering 30 per cent to a British company that obtained the distribution rights of the newly formed company, workers (five per cent), and private investors (five per cent).

The main ingredients for the nutritional biscuits came from the USA. But, they were more suited to making bread than biscuits. On top of these constraints, 1970s Sri Lanka was a closed economy and provided little support for raw material importation. MW was determined to find solutions to his problems internally and found innovative ways to solve these issues. These solutions needed a creative combination of ingredients and the identification of alternative products that had not been used in biscuit manufacturing before. He focused on using local raw materials to meet the new demand; it was a new initiative, which empowered local farmers.

MW was not driven to beat his competitor (C09) who had 90 per cent of the market share in terms of volume, but his focus was on differentiation and diversification of his products to offer unique experiences to his consumers.

C10 imported more brand new machines in the late 1980s to triple its production. By this time, it was very much involved with the local market operation; however, the CARE project came to a halt in 1988 after catering to 1.3 million schoolchildren and creating a venture that changed the biscuit industry in Sri Lanka. C10 then had to compete with a formidable competitor (C09). To capture a portion of its 90 per

cent market share was a highly challenging and risky strategy, given the limited resources C10 had at its disposal. C10 covered only 400 outlets and was heavily dependent on its distribution partner to carry out this activity, without much success.

Networking and strategic alliances

Around this time, a UK bakery giant was interested in entering the Sri Lankan market with a potential local partner. C09 and C10 were the only two companies that had the capability to enter into such a venture. MW aggressively campaigned to seize this opportunity with the UK bakery and succeeded after many negotiation rounds. C10 had only one product category that was successful at the time and this tie-up proved invaluable as it introduced a much sought after cracker, a biscuit category which C09 dominated. With the new technology, expertise, and know-how of the British company C10 launched two cracker products: one representing the British company's brand and other with its own brand name. C10 took particular interest in making its product more suitable for the local palate with strengthened flavours and taste. However, due to local humid climatic conditions and poor packaging materials, both products experienced a shorter than desirable product shelf life, and the flavour properties deteriorated affecting the taste of the products. As a result of this shortcoming becoming apparent, within six months of their alliance, the British company decided to leave Sri Lanka, closing its cracker production.

This posed a new opportunity for C10 to enter the market energetically armed with the newly acquired cracker knowledge, and clear identification of the internal weaknesses that had been revealed at the expense of the British company. C10

further benefitted by owning the production line used to manufacture its former partner's product.

The departure of the British firm paved the way for a new strategic alliance with the US Company Nabisco. Nabisco was a world leader in biscuit manufacturing and this relationship further enhanced C10's technical and production capacity and strongly supplemented the existing knowledge base. This relationship lasted several years, by which time C10 had learned more about international management styles, marketing, and production techniques, which gave it a unique opportunity to compete in the local market with confidence and to make plans for more aggressive future campaigns against its main competitor.

By the early 1990s the company had grown in size, but it also faced issues related to cost and employee management. With the leadership and guidance provided by MW, the company managed to emerge from these troubled times that had tested the leader-follower loyalty to its limits.

C10's first overseas investment came in 1991 in India; however, this venture failed due to distribution issues and the company was dissolved in 2003. Determined not to give up on the Indian market, C10 acquired the third largest biscuit maker in India in 2004, with high expectations of entering the Indian market yet again.

The Indian business development attracted more opportunities for C10 and MW's social skills proved invaluable in exploiting those opportunities that formed new partnerships. MW managed to convince one of the world's leading chocolate and confectionary makers (a 60-year old Italian family firm) to enter into a strategic alliance with C10. The new alliance began in 2004.

“I think, of course, he (MW) has extensively used the networks. He has a very good reputation in the business circle as well as with institutions. His personality is such that people trust his ideas and support them with much enthusiasm” (C10 - Senior Manager1).

New product and market development

Two strategic partnerships helped C10 to build a product base equivalent to that of its main competitor and to invest in modern machinery to make these products with higher capacities; however, C10 still did not reach a level to threaten the market leadership position of its competitor. Rather than fighting head on with C09, MW chose a less aggressive but highly effective strategy to strengthen its position in the market by directing his attention into food categories other than biscuits. In 1991, C10 entered the chocolate market with the successful launch of chocolate candies targeted at children.

Customers perceived C09’s product quality as far superior to that of C10. MW took this information seriously and embarked on a mission to improve the quality of his products substantially, by introducing a quality assurance team, investing in research and development to improve product formula, and obtaining high quality raw materials.

“It was a complete overhaul of our operations. We strictly followed new guidelines to assure the quality of our products from raw materials to finished products; even, we were concerned about the shop level displays and storage capacities. We trained all our staff and the sales teams. It was a total drive to enhance the quality. We listened to our consumers and continuously improved the product formula and packaging. All this effort was complemented by

advertising; it was a 360 degree campaign to improve the quality” (C10 - Senior Manager 2).

As a result of these aggressive campaigns, C10 became one of the first handful of companies to meet the international ISO standards and was even the first company to meet ISO 14000 environmental standards in the industry.

However, this product centric focus made the company benchmark to their nearest competitor (C09), rather than create a unique competitive advantage for itself in terms of new innovations. C10 most often came up with copy-cat products to take away market share from its competitor, and ultimately paid the price of market saturation and being unable to increase its turnover and market growth.

Value creation

C10 soon realised that by imitating products and keeping a close watch on competitor activities CO10 would only update the current market situation without creating any meaningful value to its stakeholders. MW decided to strengthen the marketing team and recruited marketing professionals with a proven track record in Sri Lanka. Together, they developed highly focused marketing campaigns to launch products that offer value for money, superior taste, added nutrition, attractive packaging, with redefined consumer segments, increased product availability, and the development of award-winning advertising campaigns.

The turning point for C10 came from the uniting of the owners and professional managers in working towards one common goal – “To reach number one position in all product categories”. MW’s expert knowledge, never-say-no attitude, and unrelenting focus on quality and new product development, were complemented by the creative marketing knowledge of professional managers. This was a recipe that

C09 did not have at that time. C09 became complacent with its position and neglected the threat of its closest competitor, thinking that C10 was incapable of challenging C09's superior position in the market. C10 re-launched its products successively, reducing C09's market share substantially. C10 did not stop there; it went into other business sectors by investing heavily in new machinery and new technology, and introducing entirely new product ranges that gave the company market leadership positions within 1 or 2 years of launching them. CO10 then acquired loss-making firms and made them profitable ventures and market leaders in their respective categories.

Today, C10 dominates the biscuit, chocolate, and soy foods markets with a clear lead over its competitors. Not all the products in the C10 product portfolio were successful, however. It ventured, for example, into the highly competitive snack market, but after 5 years of trying, gave up the operation due to thin margins and lack of customer loyalty. However, its success rate was much higher than its failures and lessons were learned to make future investment strong and profitable.

C10 continued to invest in new production lines; this time making a Rs.1.5 billion investment in a state-of-the-art layer cake making production line. Instead of a traditional shelf-life expiry of 3 months, C10's new cakes came out with an eight month shelf-life, a significant value addition and a clear winner in terms of meeting stakeholder expectations. Consumers got a fresher, tastier and better priced product. Sellers found the packing easier, with the long shelf-life reducing returns; they were also offered higher margins and ample marketing support. Finally, C10 had a star product in the making, with the right margins, new technology, and rapid growth.

C10 acquired 60 per cent of a struggling fruit exporting company that gave it access to international markets and facilitated backward integration with farmer

communities. Then it entered the local fresh juice market with new products and attractive packaging options.

International market development

C10 exported small quantities from its inception to countries like the Maldives, Canada, Australia, and the USA. It started with tea exports under a different company name and gradually entered into biscuit exports.

“Initially we heavily depended on our distributors and entered the ethnic markets. From there we worked upward, approaching discount stores. Today, we supply to major supermarkets around the world. It was a gradual development, and many factors contributed to it, such as local market development, product quality, price, and trade fair participation and, of course, our commitment belief to make our products available in every continent of the world” (C10 - Senior Manager 1).

However, until the end of 1990s CO10 had never had a strong desire to enter into the international market with a clear focus and a strategy. By 1997, with market leading local brands under its belt, C10 slowly turned towards approaching the international markets.

“At the start it was more about prestige; our main focus was the local market. During the last 10-12 years we have been putting in a lot of money investing in quality improvement.”

“I remember in the late nineties we didn’t have many orders; volumes were very small. Most months it was about US\$25000 per month, our turnover. But, of course, with the USA order coming in March and April we do about US\$200,000 worth of exports, that’s all. So the total export value would be US\$900,000 - 1 million dollars per annum” (C10 - Senior Manager 1).

C10's strong position in the local market had an impact on overseas ethnic markets with large Sri Lankan communities. The indirect orders grew along with the local market growth. However, unlike the passive approach of C09, C10's Chairman actively promoted international market entry and gave his full support and resources to develop the export business. C10 started taking part in trade fairs and built its network strongly with its existing overseas distributors.

We developed business mostly through personal contacts. The USA order we have got from a trade fair. So that was the start. The only thing what we did was to continuously attend trade fairs since 2000 - mainly concentrating on Sial and Anuga (one of the world's largest food trade fairs). Recently we started Gulf food as well."

"If I recall, in 2001 when I went to Paris and London after the exhibition I remember that Sri Lankan shops didn't have any of our products. It was all our competitors' products. People even said we have never heard of your product. Some said your product was so cheap. That's what we heard initially, but we gradually built it up."

I would say it was the quality of the product that made the difference. We had continuous improvement of our main ranges like lemon puffs and cream crackers. That is where we had a quality product and our pricing was very competitive and also basically the commitment from export division. Getting things done quickly." (C10 - Senior Manager 1).

International market knowledge was built gradually, but it was persistence and perseverance that cemented the knowledge-building process. CO10 has a strong leader with remorseless passion to achieve success in everything he does in order to allow the entire team to reach its fullest potential. But interestingly, authority is

delegated to the respective managers to exercise authority in their respective areas, enabling quick decision making and accountability for actions.

“We never had any ideas about markets when we entered first into these markets. We take lot of risks. The chairman supports it aggressively; he is a great believer in risk taking and in this company the word "no" is not permitted. Even if you say to our Chairman that we cannot do it, he is not going to accept it. He always says that you have to look for alternatives; you have to keep on trying” (C10 - Senior Manager 1).

C10 was fortunate it being able to export its entire product portfolio with only minimal packaging changes. It had a massive range of product at its disposal with flexible pricing options and it also supported these with promotional material.

“We prefer to go on our own brand. In some markets we start with existing products and people will ask for some product changes. We also do lot of private branding but the volume is less” (C10 - Senior Manager 1).

The relationship with the overseas distributors is built on trust and the exchange value of the network partners. Professional relationships have turned into personal relationships based on trust that the senior managers have built on for years. But unlike the tea industry where tea is a commodity bought at auction with little value addition, C10's value creation ability binds the network partners to the company and not to the manager who develops it.

“I think there is a personal relationship, but on the other hand, we as a company, we have developed trust with our customers, so even without my personal intervention there will not be any issue. The company is committed for exports” (C10 - Senior Manager 1).

The senior manager in charge of the exports at C10 had 20 years of experience in export markets before joining the company. His previous knowledge about foreign markets and trade fair participation has helped him build this business to the current level.

“I had previous experience in international marketing for about 20 years; CBL started exporting in 1982. We now export to 45 markets. The majority of them have come from trade fairs. I would say word of mouth, trade fairs, website, and when people taste our products in other markets; direct inquiries also come. I think once your quality is established, everything will be much easier” (C10 - Senior Manager 1).

The prior knowledge of the individual plays a vital role in recognising opportunities, since people will recognise and create new opportunities based on what they have already experienced. In the case of C10, both the lead entrepreneur and the senior management team have had extensive experience in the industry. They were able to exploit new opportunities by combining this knowledge with their capabilities and learning from direct and indirect experiences.

The right application of existing knowledge by means of capabilities is an outcome of learning. Most importantly, experiential learning is considered the builder of tacit knowledge that adds value to the whole process of opportunity identification.

“Your knowledge plays a key role in deciding and identifying opportunities. Our Chairman is an all-rounder; he is a qualified baker he knows baking in and out. He can say while being in the office if there is something missing in the recipe. They have worked in the factory, they worked in the office. They know what is happening at every level to the last detail. It is such an inspiration to work with him...creative and committed individuals. They have not only made

the difference in our company but set benchmarks against the industry as a whole.” (C10 - Senior Manager 2).

The lead entrepreneur has managed to create an organisation that is considered as a Sri Lankan icon and a market changer. Continuing this legacy is the next challenge that faces everyone in the senior management, including the chairman’s children.

“Our chairman is an entrepreneur in his own class. When he comes to work everyone is on their toes. That is how charismatic he is. But when he retires, I hope the passion for excellence will prevail, but I feel the same spirit will not continue. Not everybody can be like our chairman, they are a rare breed. He takes quick decisions mostly based on gut feeling and most of the time he is spot on with his decisions. Not everyone can do that” (C10 - Senior Manager 2).

The second generation is now involved in the business; they are also highly qualified in baking and in marketing. However, as mentioned by this senior manager, it is not only the knowledge that matters but the capability and the ability to create value in every decision you take that matters in being successful in this highly competitive business.

It took almost two decades for C10 to enter international markets in a strong way. Until such time, it was preoccupied with local market growth and development into different sectors in the food industry. After 2000, its rapid expansion into international markets and foreign investment initiatives propelled its activities forward, making C10 the largest exporter in the confectionary sector.

C10 primarily used overseas distributors as its main international market entry method. The second phase started after 17 years of direct exporting, C10’s first foreign direct investment in India was in 1999. The immense market potential in

India, its close proximity, trade agreements, and cultural similarity favoured this decision. However, the first investment failed due to distribution and pricing issues. C10 in 2004 once again tried to enter the Indian market after acquiring a defunct firm that had been the third largest biscuit maker some years previously with 11 per cent market share. C10 anticipated entering the Indian market with strategies that worked well in Sri Lanka, but the legal issues hampered early entry and subsequent market development attempts. Learning from these setbacks, and without losing hope of being a regional player to be reckoned with, C10 more recently, invested yet again. This time in Bangladesh, acquiring land with the hope of setting up its own operation to build from the ground up.

Summary

C10 provides an example of another traditional company that is still run by a founder entrepreneur with an unwavering passion and dedication to his business. C10's growth path clearly reflects the nature of entrepreneurial intentions and the effect of an entrepreneur's knowledge and capability to exploit opportunities. As such, the internationalisation path of this company is dependent on the strategic intent of the entrepreneur.

5.12 Overview: Case C11

C11 started its operation in 1994 as a bottled water manufacturer. At the time, the Sri Lankan market was not exposed to the bottled water concept and it was considered as an unattractive market segment by many. SM, its founder, thought otherwise; he saw the potential bottled water had and the value it could generate in a market with hardly any competitors. Today, C11 is the leading exporter of bottled water to the Maldives. C11 exports 70 per cent of its bottled water production and

has expanded its product lines to include carbonated soft drinks and mineral water beverages, competing in the domestic market with the world's largest beverage companies, such as Coca Cola and Pepsi Cola. C11 started with only an idea without even the product knowledge; it struggled to earn Rs.8000 from its sales. Today, it employs 350 people, has a fully automated bottling plant with a turnover of US\$ 8million, and local market share of 10 per cent in the beverage sector.

Background

SM (founder entrepreneur) completed his secondary school education and furthered his education as a qualified management accountant. He started his career in a cement manufacturing company as a management accountant, but decided to look for greener pastures in overseas job markets. In 1989, he got an opening to work in the Maldives as an accountant for a hotel chain. It was an opportunity he had been waiting for and a life-changing event that sealed his fate as a future entrepreneur.

He was a quick learner and always eager to learn more from every opportunity he encountered. Whilst working in the Maldives, he saw two potential opportunities to start a business of his own; first, there was a large demand for imported bottled water supplies for the Maldivian market; and, second, the world demand for ornamental fish showed a promising positive trend with ever increasing volumes. His gut feeling along with careful risk analysis directed him towards the bottled water industry, an area that he had no knowledge about.

“I thought I could do ornamental fish which I saw as a potential in the world and the second thing was water. When I was there in 1989 most of the water came from Malaysia or Singapore. Even from Italy. Only C09 was exporting to Maldives and the packaging was horrible, very inferior quality. My favourite

was fish, but I was very nervous about the fish because if they die, it puts lot of pressure on future orders.

We had to be on time and the pipeline should be very, very clear otherwise the fish might die before getting onto the flight. The UK has three stages of clearance. Then what happened was, I thought I did not want to take such a risk” (C11 - Managing Director).

Venture creation

SM decided to come to Sri Lanka with the intention of starting up his own company and straight-away started to learn about the manufacturing process of bottled water. With the little money he had saved whilst working in the Maldives, he approached a previously known contact to set up his factory.

The networks he had built up during his overseas work period and the personal contacts he had in Sri Lanka acted as the primary contributors to his venture creation by providing the opportunity to manufacture and sell.

“Then I bought some bottles from CIS and then there was land in Kandy owned by a Muslim gentleman I knew, so I told him I like this land, why don’t you allow me to do some filling (water bottling). So he said, you do not need to pay you take the water. He had a 50-acre property. I did not have that much money. Then he said, first start, and then you can buy or pay me a lease, if you can. Somehow or the other using my contact in the Maldives I exported some containers to the Maldives” (C11 - Managing Director).

De-internationalisation

SM started his first export with the Maldives and continued successfully for six months. However, his limited product knowledge led to the manufacture of a poor

quality batch of products, which were rejected from the Maldivian health ministry. This rejection was a major blow for the company and its operation came to a standstill without any income from its activities.

“It worked very well, after about six months. Suddenly two containers went there full of particles inside the water bottles. It was an US\$1800 worth container at that time. Now, of course, it is about US\$3000. Then they refused to pay and made a big issue out of it and told me to destroy it with Health Ministry supervision, and then with whatever money available I really got nervous and didn’t know what to do. Then I did not have that much knowledge and I thought I go and ask somebody to finance me; then I went to local banks”
(C11 - Managing Director).

This was a difficult period for SM. He went from bank to bank and to private financing companies asking for funds, but his proposal was rejected on the grounds that there was no market for bottled water in Sri Lanka (in the early 1990s, water was freely available in all of the main cities; people perceived it as a free resource and were not willing to pay money to consume it).

“Then I gave the proposal to DFCC (a development bank) as well. That time they were giving money for SMEs. When I went they said they do not want to give money to water projects. They were laughing thinking that you cannot pack water in ‘92 and ‘93 and sell it in the market, since it was not heard of at that time. Now my major problem was [how to] find finance and finding the bottle”
(C11 - Managing Director).

He did not give up on his search for funding; instead he turned to people whom he had known previously. One of his acquaintances in the Maldives agreed to fund his new project. With this new source of funds, he decided to initiate his new product using the latest technology that was available at that time. Unfortunately, the Sri

Lankan bottling industry was at its primitive stage; industry knowledge was scarce, and the government research centres did not have access to any thing unknown to industrialists.

SM approached the Industrial Development Board (IDB), and sought advice from them. The IDB helped him to get an appointment with the then Minister of Industries. As a result of this meeting, he got an opportunity to travel to the UK for training, along with a few more up and coming industrialists.

“I went to IDB and I said I have a serious problem, can you sort this out. They said they have a meeting next week with C.V. Goonaratne (Minister of Industries) and they said come for the meeting. So I went for the meeting, There were a couple of bottled water manufacturers. Then suddenly the Chairman of IDB mentioned my name and told me to share my problem with the Minister. Then I said this has happened and I do not know how to give a quality product. I tried to get the help from Peradeniya University, they also gave advice but it didn't work.

Then the Minister asked what do you want me to do? Then one person said why don't we send some people for training overseas? Then IDB arranged a trip to the UK for 1 month, but you had to finance the trip, they arranged all the logistics. It cost me US\$ 2000 at that time. Sixteen people went, not only the people in the water business, but also some food processing people were there. They gave us two weeks' training, this was in 1995” (C11 - Managing Director).

This training equipped him with the necessary knowledge to make plastic bottles. He became confident about the process and used his contacts in China to source a blow-moulding machine. He started making and selling plastic bottles instead of continuing his core business of selling bottles of mineral water.

Venture growth

His negative experience with the first export order for selling water still troubled him and postponed further international entry. He focused on the domestic market and started manufacturing plastic bottles. He was selling 300-400 cases of bottles and decided to manufacture the lids for the bottles and bought a moulding machine for that purpose. He faced another quality setback after he came to know that his moulding machine was not capable of making quality lids, and complaints started coming from all directions. It was a thankless business with low margins and there were no loyal customers.

“Then when one year was over I bought a mould for the lid, but that quality was not good. So I lost about 3 million rupees. People bought from me but they complained about the bottle and the lid was not good and they were unable to pay. That was in 1996’s severe economic crisis where the electricity was cut and with all this was a severe blow to me; then I thought I should make my own product if I can do it” (C11 - Managing Director).

SM first identified the opportunity for bottled water exports as a result of his overseas work experience. He was knowledgeable about the market demand conditions and the cost structure. SM used his contacts to exploit the identified opportunity and gained access to resources using his social capital. However, C11 faced many constraints, some due to his lack of knowledge and others due to prevailing market situations such as poor economic conditions and negative market potential perceptions. SM had to persevere and put confidence in his capabilities to endure these troubled times. This finding also indicates that internationalisation is not a linear process, and its path is influenced by factors such as the quality of the product, technology, and institutional support.

Re-internationalisation

SM decided to go ahead despite all the troubles he had had to face due to quality issues. He again sought the support of his friend in the Maldives and decided to re-enter the international market.

“Then again I went to the same partner in the Maldives and he said I will give you a loan on the option so I should share in the business. So I had 35 per cent then he gave me some US\$ 52000, I also had some money and we put it all together and bought the property in Kandy. We bought the property for 4.4million rupees (50 acres). Then I put in the machine, bought a generator and I started, and then started to export to the Maldives and it went up to 10 -15 containers and then I got an order for Taiwan for Seven Eleven” (C11- Managing Director).

By the end of 1999, the Maldivian market had started to grow and C11’s brand had firmly established its position in the market as a good quality product, with island-wide availability. This exposure attracted more opportunities from overseas and one such order came from Taiwan, from a chain of stores called Seven Eleven.

“They (Seven Eleven) have seen my product "C11 Brand" in the Maldives and they contacted me through the travel agent and I got a contact in Taiwan and I started supplying. I got about 300 per cent margin on that order and I collected that money and bought this property with a bank mortgage. So the first bank loan was done by HNB (a bank). I built the factory and bought bigger machines to make water bottles and started exporting 40-50 containers to the Maldives and Taiwan. In 2000, with the East Asia financial crisis there was a severe crisis in Taiwan so they had to stop buying from us. However, then other areas picked up, such as empty bottles, lids, and the water from the domestic market” (C11 - Managing Director).

Though the Taiwan order was stopped abruptly, his company ended up being a cash rich company as a result of this order and started to look for more investment opportunities.

“I had about US\$ 130000 positive cash flow, then my partner said why don't we start some additional business and then he also pumped in money and he got 45 per cent of this new venture making soft drinks in 2004.

From that, it was going on well. Last year our turnover was US\$ 8 million, it was surprising to see, and I can remember those days when to make an Rs.8000 (US\$ 80) sale I was running behind buyers, and when you see the money in your hand I was very happy” (C11 - Managing Director).

C11 enjoyed a phenomenal growth but it was not a smooth ride for SM. He faced many difficulties, from quality, issues to dealing with untrustworthy people and poor economic conditions, but his most serious trouble that tested the limits of his grit came within his own company.

All these episodes were good learning opportunities for SM and he used these experiences to gain more support from fellow industrialists to follow his lead and face the union situations head on.

Decision making and learning

SM's decisions were backed by his own justification system, where most of the time he believed that he was right. But this attitude changed when he started his MBA and started meeting fellow senior managers and business owners.

“I learned a lot from the MBA, not from the MBA class but meeting people; they give lot of ideas, because there were people from telecommunication, shipping lines, manufacturing and civil engineering. What opened my eyes is

to find out that there are other ways of doing things. Always I thought what I am doing is right. But sometimes I recognised later that I was wrong” (C11 - Managing Director).

When a company is small, the entrepreneur becomes hands on with every activity, but when the company grows in size, this approach changes to a team activity and the entrepreneur has to delegate his responsibilities and listen to the ideas of his team members. Information needs to be shared among his staff and people must be knowledgeable about markets, finance, and the HR situation of the company. This change was reflected in C11’s management and the central role played by the entrepreneur had to accommodate the views of the others. He was aware of what he knew and what he did not know and made sure to fill that gap with the knowledge from others.

“If I give them a job as a national sales manager or operations manager I don’t meddle with them. For 6 months, I let them do whatever they want, whether it is right or wrong. I let them handle it and then I see what is wrong and I tell them to correct it. All the decisions in this company are taken collectively” (C11 - Managing Director).

Sustaining the business

SM does not use his authority or aggression to get his subordinates to get things done. He encourages collective decision making and collects as much information as possible before making a decision.

“I am a person, who, before I want to put across any ideas or my perception or my target, I analyse so many things, ways of doing things and then in a subtle way I influence them to get that done” (C11 - Managing Director).

However, he likes to impose a certain amount of discipline that will enhance the wellbeing of his workers as well as his firm.

“But mostly I put the discipline factor, up front, that is what I always do. I always put that across. Only with discipline can you build up everything. I have introduced 5S (Japanese technique of maintaining good housekeeping at the workplace) last year. I told everybody that this has to be practised at your home. It is not only in the workplace and we come to see your house to see how you are practising it. So like that, I put it across, the discipline for life” (C11 - Managing Director).

This end is achieved by being persistent with his communication until the listener reaches a point where he starts to fully understand the meaning of it.

“[The] other thing I say, if I have a bad habit, this is what I learned from foreigners. Until you die you have to tell people, never ever think that it’s a waste of time to tell things to others.

Sometimes when I tell them again and again they think, ‘Oh Sir has started preaching again’. But I tell all my staff, if that person is not changing, then I tell how to do it in different ways” (C11 - Managing Director).

C11’s culture resonates with the attributes of its lead entrepreneur and understands the working philosophy of the chairman. This result is achieved by keeping things simple, being truthful, and working hard to accomplish the desired results. SM’s ideas are not restricted to the growth of the firm; he is looking at the benefits that his decisions will bring to the whole country and her people. What is important is that entrepreneurs are not driven only to increase their own wealth, but driven by goals that benefit the entire community or even a country.

“I always think about the whole picture. I always think about what we do for the country before we die” (C11- Managing Director).

C11’s growth strategy involves investing in overseas manufacturing operations. In 2005, it started targeting India as a potential market, and, in 2010, entered the market after acquiring an Indian company with a locally known brand name. They operate three desalination plants in the Maldives and have plans to introduce a juice range to the product line.

“A year ago I bought a company in India, where I could use their brand name and other resources. Then with that I wanted to start up a company there to make beverages. Not for exports, but to sell in India. Now I have contracted ACNielsen in India to do a project report about the feasibility of the market. In the Maldives I have started a water plant there, with the brand name “iLife”. It’s big success, we do about 1.5 million bottles per month; we budgeted for 150000 bottles” (C11- Managing Director).

Apart from India and the Maldives, the company also exports through distributors to the Seychelles, Mauritius, the UK, and Germany under its own brand and as private labels.

C11’s domestic market has also grown exponentially. In just 15 years, by the end of 2010, sales had increased from just 30 cases to some 50,000 cases of bottled water.

Apart from the little support he gets from government institutions to build the business, SM spends considerable time developing networks. He already holds executive positions in industry associations, with MBA alumni, and in the Toastmaster’s club.

“Networks I build strongly, that’s the only thing. I am the PET bottle association’s secretary, the bottled water association executive committee member, MBA alumni, Colombo Toastmasters club executive; I am trying to get all the club memberships to build up the network. So like that, I try to build up the network. That’s the only effective thing you can do to build the business apart from marketing your products” (C11- Managing Director).

So far, his networks have provided him with initial funding to start his venture, supported new market entry, and shed light on new product and market ideas. SM firmly believes that people have placed trust in his relationship and he reciprocated equally by not breaking their trust. He expects the same from his employees and considers “trust” as the critical link to successful relationships.

“If a foreigner has not given me that US\$ 12000 to start my business I don’t know what would have happened to me without the support I got from my networks, so that trust I always look for in my own staff” (C11 - Managing Director).

Value creation

Networks provide new product ideas, but it is the ability of the entrepreneur to identify the right opportunity and exploit it using his knowledge and capabilities that makes all the difference. Through experiential learning and critical observation entrepreneurs conscientiously learn and combine existing resources to create value. Unlike its multinational competitors, C11 continuously launched new products to meet the local consumer palette and tropical conditions. He developed biodegradable packaging for his products and offered more volume for a lower price than the competition asked.

“We try to continuously come up with new ideas, and products. Most of the ideas I have taken from the existing markets through my own experience and I make sure that it meets up to the best possible standards and offers something better than what is already available in the market. It can be the consumer, retailer, or anybody in our value chain.

I travel round the country and international markets to see how our marketing campaigns are doing. I meet consumers, meet our sales guys, and go around the shops to get their ideas” (C11 - Managing Director).

Branding ideas and marketing campaigns are designed by SM and his marketing team. Most of the creative ideas have come from SM’s own experience. SM’s accounting background has helped him to develop a highly efficient cost structure, which gives him more room to play with prices and offer attractive margins for his distributors. C11 has targeted geographical areas which mainstream competitors such as Coca Cola and Pepsi Cola are not covering or covering only occasionally. C11 products have penetrated into rural markets and hold a leading position, with a growing market share.

C11 had also used backward integration to manufacture its own plastic bottle requirements. This addition made sure that the company has control of the production as well as the cost of the products’ packaging. It targets niche markets and focuses on minimal advertising but offers substantial value in terms of the taste, price, availability, and environmental friendliness of its products.

SM believes his knowledge and capabilities about the business are the most precious resource of the firm. Also, his employees’ commitment plays an important role in utilising the tacit knowledge embedded in the firm.

“I would say the important thing’s the knowledge and commitment of people. I experienced that the hard way, as I mentioned earlier; we lost some good people, and you can’t stop that. You have to depend on yourself and you should know every aspect of your business. Then only you can face any situation since you have the confidence to build everything from the ground up” (C11 - Managing Director).

Throughout this discussion, SM highlighted the importance of knowing people and the advantage of knowing them. He also stressed the value of “trust” in building and sustaining relationships. However, he also stressed that you have to have the ability to judge the value residing in your social capital in order to exploit it successfully.

“I get along with people well, I have a good understanding about the mind sets of people at many different levels, since I have personal experience in each of these levels. When I see somebody and after talking to them, I know to a greater extent what they are like. So I would say I’m good at judging people” (C11 - Managing Director).

Summary

C11 started as a BG and later turned to domestic market operations, and again re-entered the international markets. This case exemplifies the importance of entrepreneurial learning; the ability to adapt and rebound with stronger capabilities. Companies change their directions to exploit opportunities that create more value for the firms and their stakeholders.

5.13 Summary

The chapter provided case descriptions to deepen the understanding of the entrepreneurial, network firm and the environmental level influences on its pre-venture formation stage, initial opportunity identification, types of value innovation, and on the growth and survival of the firm. Table 5.1 provides an overview of the case firms.

This descriptive framework helped the researcher to develop a comprehensive view about each of the case firms without limiting the findings to theoretical propositions. Based on these overall insights, the next chapter looks at multiple case findings, relying on theoretical propositions developed in the second chapter.

Table 5.1 Summary of case firms

Case	Industry	Ownership	Prior Industry experience		Year Started	First export	Generation	Growth	Size Empl.	Current FSTS	Type*	Value addition
			Other	Same								
C01	Tea	Private (Family)	2	10	1962	1962	1 st & 2 nd	High	<1000	95%	TBG	High (90% branded)
C02	Tea	Private (Team)	20	30	1979	1979	2 nd	Medium	<100	99%	TE	Low (10% branded)
C03	Tea	Private (Family)	-	13	1982	1982	1 st	High	<350	95%	TBG	Very high (99% branded)
C04	Tea	Private (Family)	-	21	1994	1994	1 st & 2 nd	Medium	<160	100%	TE	Low (30% branded)
C05	Tea	Private (Family)	-	17	1994	1994	1 st	High	<700	100%	TBG	Medium(55% branded)
C06	Tea	Private (Team)	2	12	2000	2000	1 st	High	<150	100%	TE	Low(14% branded)
C07	Tea	Private (Team)	-	14	2000	2000	1 st	High	<300	100%	TBG	High (70% branded)
C08	Tea	Private (Family)	10	2	2002	2002	1 st	Low	<50	100%	TE	Low (15% branded)
C09	Bakery	Private (Family)	24	12	1954	1963	2 nd & 3 rd	Low	1500	5%	DT	Low (98% branded)
C10	Bakery	Private (Family)		8	1968	1982	1 st & 2 nd	High	5000	20%	DT	High (90% branded)
C11	Beverage	Private (Team)	5	-	1994	1994	1 st	High	<350	70%	RI	High (95% branded)

Source: Author's research. Type*: TBG: Traditional Born Global, TE: Traditional Exporter; DT: Domestic Trader; RI: Re-internationalised

Chapter 6

Cross-Case Analysis

6.1 Introduction

The previous chapter built individual case descriptions to generate an understanding about the nature of the internationalisation process of entrepreneurial firms. The purpose of this chapter is to use theoretical propositions to analyse cross-case findings. The constructs identified in the literature review served as the primary themes of the study and subsequent additional themes emerged during the case analysis. This chapter focuses on the theoretical constructs and the new themes that emerged from the case findings.

6.2 Factors leading to opportunity development

The cross-case findings reveal that opportunity development is a complex phenomenon. It is a path-dependent, individually driven process. It is a result of many interrelating and interacting factors working in unison to progress an idea into an exploitable entrepreneurial opportunity. The internationalisation path of a firm is dependent on the nature and extent of these exploitable opportunities. The next section illustrates each theme in more detail around factors leading to opportunity development of the firm.

6.3 Entrepreneurial intention and the internationalisation path

The cross-case analysis indicated a significant effect of entrepreneurial intentions on firm behaviour and its subsequent internationalisation path. According to Bird

(1988), “intentionality is a state of mind directing a person’s attention (and therefore experience and action) toward a specific object (goal) or a path in order to achieve something (means)” (p. 442). The case entrepreneurs’ initial intentions determined the inception, form, and direction of their organisations and subsequent development paths. Entrepreneurial intention is the seed of entrepreneurial motivation. This point is nicely illustrated in all of the cases. For example, C01 founder’s idea of creating his own brand first came to his mind when he was a 24 year old. He had a simple yet a powerful idea that kept him firmly focused on his ultimate goal, i.e., to build his own brand, and to supply single origin 100 per cent pure Ceylon tea to international consumers. This first intention acted as the main catalyst in directing his behaviour towards organising his resources, building knowledge and a strong relationship with customers (see individual case details) for 35 years until the time was right to launch his own brand. In essence, his motive led to new opportunities and the means to exploit those opportunities

While C01’s chairman had a vision to create his own brand when he had just entered the tea trade as a trainee, other entrepreneurs (C03, C04, C05, C07, and C08) had the idea of starting their own business in the back of their minds whilst working for others, in particular MNCs. They had confidence in their knowledge, and needed freedom to do more and achieve more. Most evidently, their close professional relationships with buyers gave them the entry opportunities in the form of potential customers.

Therefore, it was found entrepreneurial intentions lead to strategic outcomes. This relationship in terms of the case characteristics is depicted in Table 6.1.

Table 6.1 The outcome of entrepreneurial intentions

Case	Reason for venture formation (Intention/motive)	Outcome (where the company is today)
C01	To create his own brand	One of top five tea brands in the world
C02	To serve niche markets	One of the largest tea suppliers to Japan (niche market) and Twinings
C03	To escape limited career prospects in multinationals and to capture the gift tea market	Sri Lanka's premium supplier of selectively designed tea packs
C04	To exploit an opportunity to set up a partnership with a high-volume importer of tea	One of the largest tea suppliers to Japan
C05	To serve high-volume markets using branded tea. Enjoy freedom of owning a company	One of top five high-volume branded tea exports in Sri Lanka
C06	To exit a dispute with previous company and to exploit an opportunity to set up a partnership with a high-volume tea importer	One of top 12 highest value earning exporters in Sri Lanka
C07	To exploit the untapped tea segments in the world using multi-brand strategies	One of Sri Lanka's fastest growing companies and suppliers of branded teas to the EU and the USA
C08	To cater for the airline catering sector	The only company in Sri Lanka to develop an airline catering (burst-proof) tea bag and one of the few to enter the airline catering segment
C09	To offer the best quality product at affordable prices in Sri Lanka	Sri Lanka's second largest biscuit manufacturer and one of the most respected brands (Most Respected Entities in Sri Lanka, August, 2010)
C10	To differentiate and grow domestically and internationally	Sri Lanka's largest confectionary manufacturer and exporter. One of the most respected brands (Most Respected Entities in Sri Lanka, August, 2010)
C11	To exploit an opportunity to export bottled water to the Maldives	One of Sri Lanka's largest bottled water manufactures. The only Sri Lankan company to set up a desalination plant in the Maldives

The above examples indicate two important aspects about entrepreneurial intentions. First, a venture's formation is preceded by an intention of the entrepreneur. Second, the direction and the intensity of effort is determined by the intention of either the entrepreneur/or the senior management team. Once the intention is formed, then it integrates with the other elements needed for opportunity development and successful exploitation.

To date, firms that had the intention of differentiating their products through branding (C01, C05) and niche market product positioning (C03) have become successful in achieving what they have intended to achieve. Similarly, apart from C8, all the other firms indicated the same outcome in their respective areas. The researcher could not find evidence of any strong intentional driving force for C08's entrepreneur apart from entering the airline catering segment. CO8 demonstrated more of a survival or the continuation of a business through exploitation rather than exploration of new opportunities.

6.4 Entrepreneurial capacities

6.4.1 The role of prior knowledge

The cases demonstrate that initial opportunity identification is a result of a process that spans many years prior to the actual international opportunity identification and the firm's founding. The founding entrepreneur/team's prior experience and knowledge about the market and customer problems had a significant impact on their existing knowledge domains, influencing the international opportunity development process.

Most firms started exploiting the first international opportunity at the firm's inception; however, domestic traders (C09, C10) exploited international

opportunities after many years of operating in the domestic market. These differences are summarised in Table 6.2.

Table 6.2 The timing differences of international opportunity exploitation

International opportunity exploitation	Case firms
From inception	C01, C02, C03, C04, C05, C06, C07, C08, C11
After many years of domestic operation	C09, C10

All the cases revealed that prior experience and knowledge about markets have significant influence on venture creation and international opportunity exploitation. All the entrepreneurs had extensive product knowledge or market knowledge or both before the venture creation. Their career experience and knowledge about the markets contributed to identifying market needs/niches, and entry strategies.

Another critical aspect is the uniqueness and quality of the prior experience and knowledge of these entrepreneurs. For example, C01's founder had a unique (only a few Sri Lankans had ever been given this opportunity) opportunity to go to London to be trained as a tea taster. He got first-hand experience about the marketing side of the tea industry and witnessed how multinationals commoditise tea, by using multi-origin blends to develop cost effective but inferior quality teas. Another important aspect of his setting up his own venture was the fact that he could go no further in the British hierarchy. These two experiences had a real impact on his decision to develop his own brand and form his own company.

Similarly, due to his multinational experience (at Brooke Bond) and exposure in his first job, C03's founder started branding his products from the inception stage, after identifying the value of brand differentiation and the importance of unique packaging designs. Most importantly, he used this prior experience to adapt to the current situation where he had to modify his products to suit his specific needs. C03's founder also saw the barriers and limited career progression local managers had to face in a multinational hierarchy. This glass ceiling became an opportunity for him to explore his new ideas and start his own company to implement them.

In contrast, the limited industry exposure (only 2 years), lack of technical knowledge (had not undergone a formal training about tea blending), and market knowledge (was working for a company where the primary market was not tea) of the founder of C08 meant the company became stuck, with limited expansion opportunities. For example, C08 was able to capitalise on only the airline tea bag business, which was developed as a result of his previous involvement with the trade. But due to his lack of expertise in the product and also a lack of the right contacts to build the business further, his markets were limited to supplying private label products to Danish and Australian supermarkets.

The other tea exporting companies also relied heavily on their previous experience to identify opportunities. C02, which was initiated by a well-known personality in the industry who held the top position in the Sri Lanka Tea Board (STB) had decades of accumulated knowledge about the industry and markets to call upon, and was well connected to the industry's networks.

The founder of C04 had worked only in the tea industry and his first international opportunity was identified (a customer in Japan) from one of the companies he used to work for. This kind of opportunity exploitation is a common occurrence in the

tea industry. Company founders use their existing contacts in the workplace to form new partnerships by founding new companies to serve them better. This is clearly the case of C06, C07, and C05.

The two entrepreneurs in the traditional companies, C09 and C10, used their prior experience in the industry, technical knowledge, and market knowledge to exploit new opportunities in the local market, which gave them access to international markets through serendipitous inquiries.

In the case of C11, its founder knew nothing about the technicalities of producing mineral water bottles; however, he did have inside knowledge about the market, the competition, and consumer dynamics because of his prior work experience.

Cross-case analysis in Table 6.3 clearly indicates that the knowledge already possessed by these individuals assists in the identification of new opportunities and exploitation of them. The quality, (type of exposure) and quantity, (years of experience) of their prior knowledge proved important for both Traditional Born Global (TBG) and Traditional Exporters (TE) when it came to identifying international opportunities.

Table 6.3 The effects of prior experience and knowledge

Case	Prior experience at the time of venture formation				Prior knowledge	
	Same	Other	Type of exposure	Nature of exposure (local/international)	About markets (size, growth, customers, channels)	About ways to serve market (solutions to customer problems)
C01 (Tea)	10 years	2 years	a) Trained in London for 2 years in every aspect of tea making and marketing b) 6 years' experience in a British tea exporting firm c) Worked for an American oil company in Sri Lanka as an inspector	a) 1950 London exposure was unique. Only six Sri Lankans had the opportunity to take part in this training. b) Started career at the British company as a tea taster, became the Managing Director and ultimately bought the company over	Highly knowledgeable about the markets, marketing, and consumer preferences	The first venture was initiated to cater the bulk tea demand. The second venture targeted the value-added sector to cater for consumers who wanted unblended pure Ceylon tea.
C02 (Tea)	30 years	10 years	a) Extensive exposure to the tea industry b) Held the top positions in the Sri Lanka Tea Board c) One director worked for a multinational company (Unilever). c) Extensive tea brokering experience	a) Team had exposure to international markets and marketing. b) Business administration experience mainly in the local market c) The current executive director has been in the company for over two decades. Therefore, had limited international work exposure	Highly knowledgeable about markets and changes in them	In 1977, a few suppliers dominated tea market and the industry sector was state-oriented. There was a need for dynamic companies to offer better services and products. <i>(Market demand for quality products and services)</i>
C03 (Tea)	13 years		a) 13 years' work experience in a multinational company b) Travelled extensively to visit overseas markets	a) Expert tea taster b) Exposed to every aspect of the tea industry from making to marketing c) Started career as a tea taster and left the last job as a director	Highly knowledgeable about the markets, marketing, and consumer preferences	Identified a niche segment to offer premium teas in gift packs

Case	Prior experience at the time of venture formation				Prior knowledge	
	Same	Other	Type of exposure	Nature of exposure (local/international)	About markets (size, growth, customers, channels)	About ways to serve market (solutions to customer problems)
C04 (Tea)	20 years		a) Extensive exposure as a tea taster b) Extensive product knowledge. c) Worked for two prominent multinational tea brokering companies.	a) Trained in Sri Lanka b) Work experience in India, Kenya and the UK	Worked for a company that had close links with Japan (his primary market)	Tea tasting and brokering knowledge provided necessary background to offer products at a better price.
C5 (Tea)	17 years		a) Started career as a tea taster in 1977. b) International marketing and trade fair participation through local companies.	a) Operated from a local office b) Travelled overseas to attend trade fairs and meet customers	Aware about the market conditions, customers and their requirements	His expert knowledge in tea gave him the opportunity to offer good quality tea at a competitive price.
C6 (Tea)	12 years	2 (Overseas)	a) Joined the industry as a tea taster, just after his schooling (Followed a marketing course). b) International marketing and trade fair participation through local companies. c) Three years' work experience with a multinational tea producer.	a) Operated from local offices b) Travelled overseas to attend trade fairs	Developed a close link with the customers and familiar with the prices and their product expectations.	He was able to offer better prices and innovative packaging solutions (Customer solution)
C7 (Tea)	16 years		a) 14 years in the tea sector as an industrial engineer managing state sector tea plantations and marketing their products.	Mainly local but worked with leading personalities in the industry	Aware about the market conditions, supply chain conditions and marketing	He was able to offer attractively packed teas to niche markets not served by mainstream suppliers.

Case	Prior experience at the time of venture formation				Prior knowledge	
	Same	Other	Type of exposure	Nature of exposure (local/international)	About markets (size, growth, customers, channels)	About ways to serve market (solutions to customer problems)
			b) Experience in tea factory modernisation.			
C8 (Tea)	2 years	10 years (Confectionary)	a) International trading experience b) General business experience c) Few months experience as a system analyst	a) Operated from a local office b) Limited international travel	a) Limited experiential knowledge about intl. markets	Was able to develop and patent a tea bag for the airline business (Customer problem)
C9 (Confectionary)	12 years	24 years (Hotel)	a) Founder entrepreneur started his career in a hotel as a waiter. b) Started his own tea kiosk when he was age 14 in 1916 c) By 1954, he was the chairman of two hotels	a) Hands on experience in managing businesses b) No international trading experience	Maldives was a natural market extension for many Sri Lankan Exporters during the 1960s.	Popularity in the domestic market brought new opportunities to enter the next closest market.
C10 (Confectionary)	8 years		Worked in the family bakery business	a) Exposed to every aspect of running a business b) Received technical training in the UK	Started with the domestic market. Strategic partnerships with other international manufacturers provided insights into international market operation	Popularity in the domestic market and aggressive new product developments paved the way for new international opportunities.
C11 (Beverage)		5 years (Hotel)	Worked as an accountant in a multinational cement company in Sri Lanka and then in the Maldives	No experience in mineral water manufacturing	He found the Maldives market has a growing demand for drinking water	Maldivian importers got their water from Malaysia which gave him the opportunity to offer a better product and prices.

6.4.2 The role of creativity in opportunity development

The cross-case analysis revealed that the creative combination of prior and new knowledge and resources provided valuable new opportunities for internationalising firms. However, the cases also reveal that the innovations were not grand in the Schumpeterian sense. They consisted of “milder” incremental innovations, supporting the Kiznerian view. Another, significant finding is the regularity of these innovations. Highly innovative companies (C01, C03, and C07) regularly introduced new products to international markets and local markets (C10 and C11). These firms also focused on continuously improving their processes, products, and approach to international markets. The entrepreneurs in these companies considered themselves to be creative and even preferred to be engaged in activities that need creative involvement (such as graphic designing (C01), writing novels (C10)). Some companies that exhibited more modest innovations only at the product line extension and efficiency levels (C02, C04, and C08) depended more on outsiders such as their customers to provide new product ideas, and concentrated on maintaining the status quo of the firm.

Table 6.4 provides some outcomes of the entrepreneur’s ability to come up with novel/improved products and/or production ideas (see Appendix E for direct quotes). The emergence of the creative ideas was achieved by the entrepreneurs’ mentally merging previously separated ideas and concepts, using their prior and existing knowledge to bring them together. This process enabled them to move from a familiar domain to a less familiar one. The case findings indicate that there is a strong association between motives, knowledge, and creative ideas.

Table 6.4 Creativity in action

	New product innovations/ideas	New process integration	Integration of two distinct domains	
C01	Offers an extensive range of products from traditional mass market teas to gourmet teas blended exclusively for selected segments under its own brand First Sri Lankan company to introduce iced tea	Only company in Sri Lanka to integrate the supply chain elements of production (designing, printing, packaging), marketing (designing of direct media) and overseas sales offices	Yes	Founder created a new blend of teas by integrating wine making and tea making. The first company to initiate tea bagging and tea bag printing The first company to integrate tea with tourism by converting colonial tea estate bungalows to luxury villas
C02	One of the first companies to target and exploit a niche market (gift teas)	Nothing significant	No	Other than targeting a niche market, no evidence was found to identify the creative acts of the founders.
C03	Hand-crafted tea packaging using local materials Pioneer in tea gift market	Using tea kiosks to sell directly to consumers in international markets	Yes	Integrated traditional craft works with tea packaging. Introduced concept restaurants in Sri Lanka targeting tourists to enjoy tea variants with Sri Lankan food
C04	Nothing significant	Nothing significant	No	70 per cent of the business is generated by a single customer in Japan.
C05	Quickly realised the importance of branding One of the first companies to export under its own brand	Has its own marketing and sales offices in Europe and Russia	No	Company focuses exclusively on market expansion using existing product lines.
C06	Offers an extensive range of product line extensions	Fast turnaround of bespoke (tea variants) products.	No	Integrated tea and coffee distribution in identified international markets by merging with a Singaporean company
C07	Developed products targeting unexploited markets (children, special events)	Use of own warehouses and sales offices in overseas markets	No	Two cofounders use their expertise in the tea production and marketing to expand into uncharted markets within the mainstream tea area
C08	Introduced a tea bag designed (patented) for airline catering services	Nothing significant	No	Apart from the patented product, firm remained a bulk exporter of tea.
C09	None (targeting international markets)	Nothing significant	No	Founder chairman had many creative initiatives that combined different industries such as bakery, beverage, confectionery, and hotels. But the second generation failed to continue them, except for bakery products.
C10	Range of new biscuit products were launched targeting the local market. Soy, cereal and fruit products were introduced for local markets.	Quick adaptation to new technology Introduction of clean room production (ultra clean production facility with minimal human intervention)	Yes	Integrated traditional herbal medicines and biscuits to develop range of healthy foods from biscuits to cereals.
C11	First to commercialise bottled water in Sri Lanka	Setting up of an overseas production plant	Yes	Introduction of a biodegradable PET bottles

Two typical examples of merging two distinctive domains to create a unique product offering are given below.

“When a lady once gave me a little booklet about tea and wine, when I read that, I thought to myself: “Gosh, this is true, because wine, cultivation of wine and tea are similar - soil, elevation, the manufacturing, maceration, crushing, fermentation, all are identical up to the moment when tea gets into a cup and wine gets into a glass” (C01 - Chairman).

“When you see a wooden box of cigars you think, why we can’t do the same for tea” (C03 - Managing Director).

C01, C03, C10 and C11’s creative ideas may have been radical (dramatic departures from current ideals in design, application, or process (Brazeal & Herbert, 1999); however, other companies can be seen as making incremental innovations (extensions of pre-existing processes (Brazeal & Herbert, 1999) which resulted after many years of exposure to the industry, markets, and technologies.

Another interesting aspect is that creative ideas not only come from the entrepreneurs’ mind, but are spurred as a result of collective thinking. In the case of C05, its founder readily admitted that new ideas come from his team and other external sources. Interestingly, no matter where these ideas originate from, it is the entrepreneur who takes the final decision and takes innovations to fruition. Among the tea exporters, C01 and C03 emerge as the most creative companies that came up with innovative new product launches, brilliant packaging designs, and unique brand propositions.

Most importantly, their value creation is justified by the higher margins they get from their consumers and the unique position they hold in the tea industry (see Chapter 4 for more details). Non-tea companies, i.e., C10 and C11 all exhibited

similar patterns of creative thinking. They have ventured into businesses that were similar to their current line of products or markets by identifying unique positioning opportunities to establish their products. However, C09 suffered heavily after the demise of its founder who had been a creative thinker and was years ahead than his competitors. The C09's second generation failed to exhibit similar creative abilities as those of the founder, and succumbed to competitive pressures. Except for C04 and C08, all the other firms showed imagination and originality of thought in moving beyond everyday thinking, demonstrating the advancement of thought through linkages to past experiences and integration of the experiences of others.

In summary, the cases revealed that creativity has an influence on opportunity identification and its ability to add unique value propositions to identified opportunities. Entrepreneurs in innovative firms were able to use their prior and existing knowledge (both related and unrelated to the outcome) to creatively combine resources for innovative outcomes or use creative ideas in order to see new opportunities in the existing environment.

However, creative ideas are not mere concepts. Entrepreneurs are aware that their knowledge and capabilities have to turn these ideas into commercially viable outcomes. As such, entrepreneurs' self-efficacy plays a pivotal role in developing an idea into an exploitable opportunity.

6.4.3 The role of self-efficacy in opportunity development

According to Bandura (1997), self-efficacy (SE) refers to the belief in one's capability to organise and execute the courses of action required to produce an outcome. SE is acquired through experiences, repeated performance, observational learning, performance feedback, and judgement. The cross-case analysis found that

the entrepreneurs in successful companies exhibited higher levels of confidence in venturing into new markets, introduced new products, and also tried out new production processes.

The cases revealed that entrepreneurs were highly knowledgeable and capable individuals in their respective fields. However, when they ventured into unknown markets and production environments they firmly believed their actions would lead to positive outcomes. Table 6.5 provides references that closely support the entrepreneur/entrepreneurial team's confidence in identifying and exploiting opportunities under uncertainty and challenging the status quo (see Appendix F for direct quotes related to SE construct).

Cases C01, C03, C10 and C11 can be considered as exemplary examples of the SE construct. These entrepreneurs had confidence in their abilities to defy the common thinking and depend on their abilities to identify new opportunities and venture into new markets as a result of past experience and repeated performance. They were involved with overall business operations from production, financing, to marketing.

Table 6.5 Self-efficacy

	Confidence in identifying and exploiting opportunities under uncertainty	Confidence in challenging the status quo
C01	<ul style="list-style-type: none"> - Decided not to work for multinationals and set up his own company (Challenging multinationals) - Developing his own tea brand when there were only multinational brands in the market - Purchasing a tea bagging machine and a printing machine (without an existing market need) - Setting up a Ready-to-Drink tea products manufacturing plant (the only local manufacturer) 	Not afraid to challenge the status quo Highly confident about decisions, knowledge, and capabilities
C02	Nothing significant	Highly dependent on customers Reluctant to change
C03	<ul style="list-style-type: none"> - Decided not to work for multinationals and set up his own company - Decided to set up his own tea kiosks (direct sales) in local and international market 	Not afraid to challenge the status quo. Highly confident about decisions, knowledge, and capabilities
C04	Nothing significant	Highly dependent on customers Reluctant to change
C05	<ul style="list-style-type: none"> - Started his own business with minimal resources - Started branding early when other companies exported bulk tea 	Confident about his decisions, knowledge, and capabilities. Also has awareness about his own limitations in these areas
C06	Nothing significant	Confident about decisions, knowledge and capabilities.
C07	Nothing significant	Confident about their decisions, knowledge, and capabilities

	Confidence in identifying and exploiting opportunities under uncertainty	Confidence in challenging the status quo
C08	Nothing significant	Highly dependent on customers Reluctant to explore Confident about his decisions, knowledge, and capabilities
C09	Nothing significant. The venture developed gradually over the years by slowly exploiting opportunities that were presented as a result of the organic growth of the firm	Confident about decisions, knowledge, and capabilities Afraid to challenge the status quo
C10	- Venturing into India to set up a manufacturing plant (venture failed) - Taking over underperforming companies and turning them into profitable ones	Not afraid to challenge the status quo Highly confident about his decisions, knowledge and capabilities (Evidence of overconfidence)
C11	- Starting his own water bottling plant to export mineral water bottles with minimal resources and technical knowledge - Entering into local mineral water bottling market (non-existent demand for mineral water bottles at the time of entry)	Not afraid to challenge the status quo. Highly confident about his decisions, knowledge, and capabilities Also has awareness about his own limitations in these areas

Another important outcome is the entrepreneurial ability to correctly assess one's strengths and weakness and bridge this gap successfully using external sources (staff, partners, networks). C05's founder knew his trade well and managed the company single-handedly for years; subsequently, knowing his limitations, he changed his way of operating when the organisation grew in size, and he allowed professionals to handle most of the administrative and marketing work. This scenario is not uncommon among other cases (C02, C04, and C11), where the entrepreneurs listen to others and evaluate their decisions before making the final judgement.

The level of confidence exhibited by the case respondents can be attributed to the level of experience they had about the industry, market, product, and processes. As such, SE is acquired gradually through the development of knowledge and capabilities over a period of time, enriching the existing knowledge and capabilities. Clearly, the cases (C01, C02, C03, C05, C07, C10 and C11) support the idea that past achievements reinforce SE and contribute to higher goals and future performance.

It is also found that apart from prior work experience, formal industry-specific training also has a strong impact on the higher SE levels of the entrepreneurs. The founders of C01, C03, C10 and C11 had undergone structured training related to their industry, covering technical, marketing and quality aspects. This background has made them more confident in venturing into new markets, introducing new processes, and seeing new opportunities.

There is another side to SE. The founder of C10 ventured into India after successfully dominating the domestic market, but had to face many difficulties and ultimately had to divest itself of the Indian investment. Hence, SE has a dark side.

When entrepreneurs are overly confident about their achievements they can underestimate the local market conditions and venture into riskier investments based on their internal judgements.

The lead entrepreneurs in all the case studies, except for C04, have gone through difficult periods and challenged the status quo of their industry by being true to their goals (C01 had to face the challenges of multinationals, stand up to institutions, and forge ahead with little support from others to launch his brand; C03 challenged the existing norms of the industry by developing a brand for a niche market; C06 started a company within a few days of losing his job, and C10 entered the market when the market leader dominated it with 90 per cent market share in the country).

These entrepreneurs have gained a resilient sense of efficacy through perseverance. Wood and Bandura (1989) state “some setbacks and difficulties in human pursuits serve a useful purpose in teaching that success usually requires sustained effort” (p. 364). As such, individuals become confident in their capabilities through repeated success and by managing setbacks and failures without being adversely affected by them.

The individual case and cross-case analysis results showed that an individual’s ability to endure adversity is an important factor in opportunity identification and exploitation. This theme, commonly termed as *perseverance* i.e., the tendency to persist and endure in the face of adversity (Markman, Baron, & Balkin, 2005), influenced the way entrepreneurs reacted to external pressures, uncertainties in the market, and coped with limited resources in the process of new opportunity identification and exploitation. This theme is discussed in the next section.

6.4.4 The role of perseverance in opportunity development

This section consists of two parts. First, it discusses the past literature related to perseverance. Second, it outlines the results of the cross-case analysis.

Perseverance stands out as a main element in differentiating people who achieve what most others fail to do (Stoltz, 1997). According to Stoltz (1997), perseverance can be defined as the perceived ability to overcome adverse circumstances.

An individual's perseverance, to some extent, is determined by his/her self-belief about his/her capabilities (self-efficacy – the stronger the belief, the greater and more persistent the person's efforts will be (Wood & Bandura, 1989). Goals play an important role in shaping and motivating the individuals to persevere (Wood & Bandura, 1989). They also provide a sense of purpose and direction; there is substantial support for goal-directed behaviour that enhances performance and sustains people's motivation (Bandura & Schunk, 1981; Locke, Frederick, Lee, & Bobko, 1984; Mento, Steel, & Karren, 1987). Entrepreneurial pursuits are risky, yet many leave their careers in pursuit of entrepreneurial opportunities in spite of adverse conditions and amidst financial poverty (Kuratko, Hornsby, & Naffziger, 1997).

There is support for self-efficacy as a highly effective predictor of performance (Bandura, 1977, 1997; Bandura & Schunk, 1981) and this relationship is affected by the influence that motivation and perseverance exert on an individual (Chen, et al., 1998). In particular, when the firm is young and when the legitimacy of the firm i.e., 'liability of newness' (Stinchcombe, 1965) is yet to be accepted among stakeholders and when resource poverty is (Sapienza, Autio, George, & Zahra, 2006) compounding the issues, the entrepreneur has to depend on his/her

knowledge, skills, and perseverance to pull through these difficult times and social isolation (Markman & Baron, 2003). It has been found that when the situations are challenging, individuals with high perseverance perform more skilfully than those individuals who fail to persevere (Bandura, 1997).

Stoltz (1997) asserts that people with high perseverance reach their goals regardless of their background, advantages or disadvantages, misfortune or good fortune. They are focused on achieving a small step at a time with long-term goals in their minds.

Shaver and Scott (1991), asserting the value of psychological perspectives in understanding new venture creation state,

Economic circumstances are important; social networks are important; entrepreneurial teams are important; marketing is important; finance is important; even public agency assistance is important. But none of these will, alone, create a new venture. For that we need a person, in whose mind all of the possibilities come together, who believes that innovation is possible, and who has the motivation to persist until the job is done. (p.39)

As per the literature, perseverance is closely associated with self-efficacy. However, it is distinct from the SE construct, since it involves more than the strong belief in one's capabilities. It also means to stay focused and persist until one's goals are achieved.

The cross-case findings indicate two important outcomes of persevering behaviour. First, entrepreneurs who persist spend years without giving in until they achieve their goals. C01's founder waited for 35 years to launch his brand and realise his dream, and he did that amidst pressures from multinationals, his own distributors, and institutions. C07 ventured into the US market and tried for many years until the firm got a breakthrough. C09's founder brought the first ever automated biscuit

baking machine to Sri Lanka after months of negotiation to ensure he did not come back empty-handed. Finally, C10's founder created an organisational culture where giving up is not allowed, which made the company a market leader (domestic market) in every product category it manufactured.

Second, persevering entrepreneurs do not succumb to resource constraints. Severe financial limitations did not deter the operations of the C03, C05, and C11 entrepreneurs. C01's founder lost his tea plantations to government acquisitions and had to run down his first business venture as a result. C11 underwent the most hardships, compared to any of the other companies. C11 fought court cases with multinationals, labour unions, law suits, had major quality issues, and lost its major customer during the Asian financial crisis. Today, C11 is a thriving company strongly placed in third place in the beverage industry, with an overseas manufacturing plant.

Table 6.6 provides a summary of the cross-case thematic analysis of the perseverance construct (see Appendix G for direct quotes related to this construct).

Table 6.6 Perseverance

	Long-term pursuing of goals until achieved	Pursuing goals amidst resource constraints	Pursuing goals amidst external pressures
C01	Persevered for 35 years until the time was right to launch his own brand	Had to run down his first company as a result of nationalisation of tea estates by the government in 1970-71	Overseas buyers did not readily agree to buy his own brand products Competed under immense pressure from multinationals
C02	Nothing significant	Nothing significant	Nothing significant apart from competition
C03	Nothing significant	Struggled with limited financial resources	Banks put pressure on lending due to lack of collateral and inexperience
C04	Nothing significant	Nothing significant	Nothing significant apart from competition
C05	Kept working extremely hard for close to a decade until he achieved a leadership position in the Russian market with high-volume buyers	Started his company in his home. Had to build a makeshift laboratory in the kitchen with borrowed equipment	Nothing significant apart from competition
C06	Nothing significant	Left his previous job giving 24 hour notice Started his company with virtually no resources and had to struggle for 6 years to make the business financially viable	Had legal complications at the time of venture formation which lasted for 5 years

	Long-term pursuing of goals until achieved	Pursuing goals amidst resource constraints	Pursuing goals amidst external pressures
C07	Tried for more than 5 years to get into the US tea market (succeeded)	Started with limited financial and physical resources	Company heavily uses multiorigin blended teas. Sri Lankan government has put restrictions on importing tea for blending purposes. This put an enormous pressure on the new product developments.
C08	Nothing significant	Started with limited financial and physical resources (still not fully recovered)	Downturn in the international airline business put immense pressure on the business
C09	Automation of the biscuit production became a possibility after relentless persuasion of the British suppliers by the founder.	Started the first business with virtually no resources.	Nothing significant
C10	Worked extremely hard for close to two decades to beat its main competitor (C09)	Nothing significant	Nothing significant apart from competition
C11	Left a comfortable job to start his own company, which took 7 years to break even	Nothing significant	Competed against multinationals in both international and local markets Fought court cases with the union and a multinational (won both the cases)

Some examples of the situations faced by the case entrepreneurs are given below:

“Once a bank manager threw my documents out the door. That incident was due to passing the limit by 60000 rupees. These are little experiences but bad ones. But you don’t let them get in the way or hamper you, somehow other find a way” (C03 - Managing Director).

“We had to build everything from the scratch, since I left my previous job by giving a 24-hour notice. I knew I had to work harder than before. So, it was like a 20hr job.... The earlier company wanted to get an injunction on me and I never knew [about] law to that level and that court case went for four and half years” (C06 - Managing Director).

“That is the time (union action) as a top man you go through a misery. I closed the plant. I could not come in because people were sitting outside putting up a tent and everything. I cannot come into my factory. I was just at home. Some time I felt I had nothing. I had no job, everything was in the factory” (C11 - Managing Director).

It is important to note the reasons behind a lack of perseverance on the part of the entrepreneurs in two companies, C02 and C04. C02 was backed by a 100 year-old parent company with strong financial clout. C02’s primary market consisted of supplying unbranded tea to the world’s premium buyers like Twinings. Similarly C04 is heavily dependent on its primary buyer in Japan, which accounts for 70 per cent of sales. These situations made the two companies resource-rich in terms of financial and physical resources, and they faced little adversity from external or internal environments. This reality made the production more efficient but it also made them contented and introverted, inhibiting new opportunity exploration. This point will be looked more closely in the next section.

6.5 Access to resources and opportunity development

Entrepreneurs may have prior knowledge or experience, creative ability, and the self-efficacy to believe in their abilities and perseverance to face the challenges and reach their goals. The cross-case analysis revealed that having access to resources that are internal to the firm, even at its most rudimentary level, facilitates opportunity development and exploitation for both seasoned entrepreneurs and nascent entrepreneurs.

According to the case findings, all the firms had access to some form of financial and human resources at the venture formation stage. The case entrepreneurs required access to financial and human resources at the venture formation stage in order to exploit the identified opportunities. Once the firm is operational, the firm becomes a repository of financial, human, and physical resources for entrepreneurs, where they combine and recombine the existing resources to create new ones.

When a company has more resources at its disposal, this access opens the door for more opportunity exploration and exploitation. C01 extended its operation into printing tea bags; C02 invested in an operational facility in Singapore to offer a cost-effective product range to its Japanese customer. C01, C03, C05, C06, C07, C10 continuously participated in every major food exhibition for many years.

Table 6.7 provides a summary of themes identified related to the type and extent of resource availability for entrepreneurs/team and its relevance to opportunity development and exploitation (see Appendix H for direct quotes related three types of resources).

Table 6.7 Access to resources and opportunity development

	Financial resources	Physical resources	Human resources
C01	By the late 1980s, company was the fourth largest bulk tea exporter in Sri Lanka before venturing into the branded tea business. Company was cash rich at the time it first launched its own brand in Australia.	In the early 1980s, C01 was the only company to own machines to produce tagged tea bags in Sri Lanka. This gave it the initial opportunity to enter into Australian and New Zealand markets.	Company had a highly dedicated and motivated work force that adhered to strict quality standards laid down by the founder, which gave it the competitive edge in sustaining the quality throughout the years
C02	Company was backed by the financial clout of its parent company and had no issues in getting support from the banks	Company's state-of-the-art production facility has supported its reputation as a high quality producer of Ceylon teas. This has resulted in attracting new customers from the Middle East, Russia and Europe.	This venture was initiated by well-known personalities in the tea industry who had institutional support. This was a major reason for getting Twinings on board as a customer.
C03	Started with limited financial resources (personal savings of the founder), and with little support from the banks, which made the company look for innovative packaging solutions to sell the product at higher margins and also reinvest the earnings back into the company to make it less dependent on borrowings.	Nothing significant	Founder was privileged to employ an artist who made the difference in creating hand painted pack designs that created a whole new concept in the tea gift market.
C04	Nothing significant	Nothing significant	Experience and expertise of the founder paved the way in getting one of the biggest tea customers in the market on board and in the setting up of C04 to exploit that opportunity.
C05	Started with limited financial resources (personal savings of the founder), and with little support from the banks, which made the company focus on branding the products in order to get higher margins and also reinvest the earnings back into the company to make it less dependent on borrowings.	Company has its own production and packing facility and an internal graphic design team. This situation makes for quick turnaround times in introducing new products and custom-made design changes.	Entrepreneur's ability to attract people in overseas markets and employing them to run the overseas sales offices had made significant strides in penetrating into mainstream and regional markets in Russia and Eastern Europe.
C06	Started with limited financial resources (personal savings of the founder), but with good support from the banks and a close friend	Nothing significant	Started his new venture with a few of his old workmates who knew the technicalities of the products and markets. Got the services of an award winning graphic designer who works

			exclusively on his new products. This has given him the edge over his competitors in winning new customers.
C07	Started with limited financial resources (personal savings of the founders), but with good support from the banks. However, company's rapid growth has put immense pressure on finance inhibiting the growth of the company.	Nothing significant	Nothing significant
C08	The founder started his venture as a sideline business and started working full time when the orders were large enough to sustain the overhead costs. Hence he had access to financial resources at the initial stages.	Nothing significant	Nothing significant
C09	When the company officially started, the founder entrepreneur had two successfully running hotels. Hence, started with minimal financial constraints	Company's state-of-the-art factory had the capability and flexibility to produce high quality products and new products	The founder received the fullest support from his three brothers to run the business
C10	C10 was funded by a combination of debt and equity, consisting of family funds, liquidating the assets of the family company, and issuing preference shares. Another funding source came through a large English trading company, which obtained a 30 per cent stake for C10 product distribution rights.	Company invested heavily in new production lines, clean room production facilities, and new product development processes. Company introduced dozens of new products for local market and later adapted them to suit the international markets.	In 2000, C10 recruited a marketing professional to handle the local marketing strategy. At the time of his recruitment C10 had only 20 per cent market share in the local market. Within 6 years, C10's market share had climbed to 60 per cent. The founder's technical expertise and the new marketing director's creative marketing strategies became a winning combination for the company. Unfortunately this did not work as effectively in the international markets.
C11	Started with limited financial resources (personal savings of the founders) Also received support from a friend in the Maldives	Two state-of-the-art bottling plants put the company on a par with multinational bottlers and provided the opportunity to enter the Maldives.	Nothing significant

According to the case findings, all the firms had access to some form of financial and human resources at the venture formation stage. The case entrepreneurs required access to financial and human resources at the venture formation stage in order to exploit the identified opportunities. Once the firm is operational, the firm becomes a repository of financial, human, and physical resources for entrepreneurs, where they combine and recombine the existing resources to create new ones.

When the company has access to more resources, it opens the door for more opportunity exploration and exploitation. C01 extended the operation into printing tea bags; C02 invested in an operational facility in Singapore to offer a cost-effective product range to its Japanese customer. C01, C03, C05, C06, C07, C10 continuously participated in every major food exhibition for many years.

The results also indicate that companies like C03, C05, C08, and C11 started with a minimal resources base. Except for C08, the rest of the companies gradually built up an asset base so they could run with minimum outside debt. The outcome of this finding highlights that access to resources is an essential part of the opportunity development process. When the potential opportunity is solid, entrepreneurs take risks and change their careers to start exploiting the opportunity with whatever limited resources they have. As such, their action is not hindered by the resource limitations.

In summary, the case findings indicate that having access to resources, in particular financial and human resources *augments* the opportunity identification in all the firms.

Another interesting aspect of the research findings is that whether entrepreneurs have limited access to resources through their own means or not, the resources

embedded in networks become invaluable in identifying and exploiting opportunities. These network resources will be discussed separately in the next section under the theme of social capital.

6.6 The role of social capital in opportunity development

The previous section highlighted the importance of resources availability in the form of financial, human, and physical capital. Probably the most influential resources, however, may reside in the social capital (SC) of the entrepreneur/team, i.e., the resources made available through social relationships that can be accessed by the entrepreneur/team.

The cross-case analysis focused on relational measures such as trust, sources of social capital and roles they played in business formation, growth, innovation, and survival. The analysis also involves a cross level analysis associating the individual level SC to organisational level performance outcomes. It must be noted, however, that the boundary between individual and organisation becomes blurred when we look at entrepreneur-led firms. For example, some long-term social relationships built by the entrepreneur when he/she was working for another company become institutionalised once a new venture is formed, and become a part of the new firm's value chain.

Table 6.8 looks at the significance of SC in four key areas: internationalisation, new product/technology development, funding, and strategic direction (see Appendix I for indicative quotes).

Table 6.8 Social capital

	Internationalisation	New product/technology development	Funding	Strategic direction
C01	<p>Two Australian friends introduced a company that opened the door to entering the Australian market.</p> <p>A former work colleague (New Zealander) helped to set up the New Zealand distribution.</p>	<p>A new printing business was initiated after a suggestion made by a colleague who was in the printing industry. The business was set up in 1979. This venture became a leading player in the local and South Asian market, with operations in five continents.</p>	<p>Father provided a loan to start the first venture.</p>	<p>New Zealand distributor's friend suggested a branding communication strategy to use C01 founder as the branding ambassador. Within a few months, C01's New Zealand market share increased from 4 per cent to 9 per cent</p>
C02	<p>The four founders' trade connections in the local and international tea industry paved the way to getting two well-known international tea distributors on board.</p>	<p>The state-of-the-art cleaning facility was a result of a technology transfer from two of its customers in Japan and the UK.</p>	<p>Being connected to a parent company like BPD gives CO2 the assurance of getting on-demand funding from banks.</p>	<p>The two dominant customers provided 80 per cent of business to C02, but constrained its marketing and development activities in international markets.</p>
C03	<p>The relationship he has built up with the government institutions (in particular the Export Development Board) aided C03 in getting an opportunity and support to take part in international trade fairs. (70 per cent of new international business was generated through trade fairs).</p>	<p>Nothing significant</p>	<p>Tea brokers, shipping companies and packing companies supported CO3 with credit facilities, as a result of the trustworthiness and reputation built up by the founder. This helped with business continuity and taking large orders.</p>	<p>C03 had to lose its investment in New Zealand and in Eastern Europe due to a lack of commitment from its distributors and not being able to pull out before it is too late. This experience made the entrepreneur rethink his entry strategy and how he assessed the performance of his distributors.</p>

	Internationalisation	New product/technology development	Funding	Strategic direction
C04	Market entry to Japan was made possible by a previous work- related contact of the founder. This customer accounts for 70 per cent of the business.	The state-of the-art cleaning facility was a result of a technology transfer from one of its customers in Japan.	The same Japanese company invested in the C04 operations.	This dominant relationship put constraints on the new business development and international expansion.
C05	Before the founder left his previous workplaces, he had already developed a strong professional relationship with overseas clients. They gave him the market opportunities to sell his products.	Nothing significant	Nothing significant	Nothing significant
C06	Before the founder left his previous workplaces, he had already developed a strong professional relationship with overseas clients. He had travelled extensively to major tea buying destinations to develop contacts in those countries. In 2011, CO6 started a joint venture with a Singaporean company dealing with coffee to use their distribution network in Russia.	Many new product designs were developed by a professional designer who was introduced to the founder by a school friend. These new designs (branding, packaging, corporate communication images, trade stalls) put C06 ahead of the local competition to stand on a par with multinational standards.	A friend provided 40 per cent of the investment to start the company. Some customers readily paid in advance for their shipments as a support.	The first opportunity to start the export business was made possible through a known contact in a Russian company. The sheer volume of orders placed by this company put C06 among the top 20 exporters in Sri Lanka within a few years of inception, C06's founder freely explored other international markets. As a result the company achieved its initial growth objectives and set even higher growth targets for coming years.
C07	Some of the clients in his previous workplace followed him when he started his business. He had a ready international market when he started.	Nothing significant	Nothing significant	Nothing significant

	Internationalisation	New product/technology development	Funding	Strategic direction
C08	An entrée into the European airline industry was facilitated by a work contact he had developed in his previous workplace.	An idea of developing a tea bag suitable for the airline catering industry was first suggested by one of his customers from the previous workplace.	Nothing significant	Nothing significant
C09	Friends living overseas started selling C09 products in their retail outlets, targeting the Sri Lankan community.	C09's British suppliers provided many of the new product development ideas.	Nothing significant	An existing supplier of milk products (Australian) initiated the idea of packing, rebranding and selling of milk powder to the local market.
C10	Friends living overseas started selling C10 products in their retail outlets targeting, the Sri Lankan community.	Nothing significant	Founder's family invested in the C10 business.	C10 started strategic alliances with three multinational companies. These alliances gave it access to new technologies, products and overseas markets.
C11	Maldivian market entry was made possible by a contact he (the founder) developed during the time he worked in the Maldives.	A friend in the industry introduced him to a Swiss company that had the latest technology in water purification. He then partnered with this company to upgrade his old system.	A friend (known from his previous work location) in the Maldives provided financial support to start the venture; another Maldivian friend supported with more funding later on.	The founder partnered with an Austrian company to set up a desalination plant in the Maldives. Currently it commands a 51 per cent market share in the Maldives' bottled water market.

The results show that SC has a significant influence on the internationalisation process of the firm. All the firms in the study had some push from their SC to launch their production into international markets. The case firms C04, C06, C08 and C11 depended entirely on their network partners to enter overseas markets. SC has shown that it can also influence new product and technological developments. But most importantly, SC became an essential source of funding for many of the firms, not only at the venture formation stage but in subsequent stages as well.

The case analysis revealed that SC's influence on venture creation (C04, C06), provided vital advice, information and knowledge (C01, C05, C08, C09, and C10), and provided financial support (C03, C04, C06, and C11). Network resources also influence the degree of internationalisation by way of supporting market expansion (all case firms), and setting up of international sales operations (C01, C03, and C05).

Apart from the positive strategic influence network resources have on organisational performance and growth, this factor can also act as an inhibitor of growth if not managed well. For example, the myopic long-term focus of C02 and C04 is partly due to its over-embeddedness in the dominant networks.

These findings provide support for three different roles played by SC embedded in networks. There is strong evidence that it can act as a *promoter* of organisational performance and growth by way of providing resources, knowledge, and new market opportunities.

If not properly managed, SC can be an *inhibitor* to performance and growth. As seen above in the cases of C02 and C04, dominant partners can impose contractual and/or implied restrictions on developing certain products or markets. For example,

C02 does not have the freedom to enter the UK market with its own brand without the approval of one of its main suppliers in the UK, Twinings. Finally, SC can play the role of a *usurper*, since it can take away the resources from an organisation, causing much damage to its performance and growth. A good example is that some of the case entrepreneurs have snatched customers from their previous workplaces with the intention of setting up their own businesses. This defection caused substantial losses for the former organisation and could even destabilise its strategic direction. For example, the C06 founder faced an injunction from his previous employer as a result of taking away one of its main customers. But the plaintiff company failed to stop this transition from taking place, losing 70 per cent of its revenue in the process.

In summary, SC is a dynamic resource that needs to be managed carefully in order to capture its full potential as an organisational resource effectively. SC needs to be developed consciously by entrepreneurs with a strategic intent to exploit the resource when the opportunity arises.

Following Schumpeter (1934), Moran and Ghoshal (1996, August) argue that all new resources, including knowledge, are created through two key mechanisms: combination and exchange. According to Nahapiet and Ghoshal (1998), combination refers to creating new combinations either by combining elements previously unconnected or by developing novel ways of combining elements previously associated. They consider exchange as a prerequisite for resource combination and as one which involves exchange of explicit knowledge which occurs through social interaction and coactivity. Whether SC's influence is on internationalisation, new product development, funding, or strategic direction, all

these ultimately lead to the creation of new knowledge as a result of combination and exchange.

Therefore, *know-who* is important, but know-how (procedural knowledge) and know-what (declarative knowledge) are critical in using and managing know-who. It is evident from the case findings that these entrepreneurs have been able to access network resources because they had built their networks based on *trust* and *reciprocity*; and where knowledge played an invaluable role in developing such mutually beneficial network partnerships.

However, the three knowledge types discussed above do not develop automatically; they are an outcome of the learning ability of the individual. Therefore, individuals (entrepreneurs) must engage in learning from their experiences to combine and exchange in order to create new knowledge that is idiosyncratic to the individual and ultimately to the firm.

6.7 Entrepreneurial learning and opportunity development

Baron (2004) argues that entrepreneurial abilities are dependent on how we acquire, store, transform, and use information. To date, the IE literature offers little explanation as to how individuals acquire and transform this information, thereby questioning the pivotal role of learning. The current research on opportunity identification does not specifically look at the role of entrepreneurial learning either (Corbett, 2005). Even though a full investigation into entrepreneurial learning is beyond the scope of this study, some interesting aspects of entrepreneurial learning intensity have been unearthed during the case analysis. In particular, the findings provide insights into the learning intensities of the entrepreneurs and their multiple

level of exposure to different elements of the organisational and market activities that enhance or build the existing knowledge domain.

Drawing on the experiential learning concept, Rae and Carswell (2001) identified Entrepreneurial Learning (EL) as being “concerned with how people construct new meaning in the process of recognising and acting on opportunities and of organising and managing ventures” (p. 153). They saw EL as much more than acquiring functional ‘knowledge’, it involves active ‘doing’ as well as understanding ‘what it is that works’ and realising ‘one can do it’. In essence, it involves learning from both success and failures, and finally, repeating actions that have generated better outcomes (Minniti & Bygrave, 2001).

The excerpts given below highlight some of the key areas in EL and its relation to new knowledge development.

The case findings indicate that the participant entrepreneurs primarily relied on their own experience as the basis for their judgements. As such, experiential learning played a key role within all the entrepreneurs in building their knowledge base. They were learning by doing and being active in the field and experiencing everything from production to marketing. This point is illustrated well in the following quote.

“(The Chairman) would visit New Zealand twice a year, not to sit in offices and plan strategies, although this happened, but mainly to see buyers, go to supermarkets, to talk to consumers, be involved in PR events, talk on radio, shoot television adverts, sit with graphic designers to refine his packs... he would just about work 24 hours a day 7 days a week and still have time to find a church to pray.” (C01 - Senior Manager 3).

All the above activities undertaken by the C01 entrepreneur can be considered as the parts of his learning process that come naturally to him. The quote also epitomises the learning's diversity and intensity, and how he balances his life amidst all these activities. Such diverse activities not only expose the entrepreneur to experiential learning, they also involve learning through observation and even from codified sources. This high involvement and experience give the entrepreneur a rich learning exposure which a functional or senior manager is incapable of getting.

However, this drive for learning is a result of an internal desire to know more and do more about something the person is passionate about.

“I spent a lot of time on friends’ tea estates (during his school holidays) and came to understand the structure, the recruitment system, and the different jobs of the workers, the supervisors and the managers. I grew to love the tea industry, but I never imagined how things would turn out later!” (C01 - Chairman).

Another example is given below:

“He (C03 Managing Director) has done wonders you know, again its hands on experience, never depended on anything, expertise in the industry, and passion for what he does.” (Senior Director at C02)

The case entrepreneurs acquired knowledge in three ways: direct experience; by observing others; and, using explicit codified sources. Learning through direct experience was the commonly embraced method by the entrepreneurs across all case firms. However, explicit codified resources did augment entrepreneurial learning activities by giving quick access to information when needed. The founders of C01, C03, C07, C10 and C11 all had undergone structured/formal industry related or professional training programmes that had direct influence on

the quality of their decisions and contributed to building up their confidence and accumulation of new knowledge. The following excerpts highlight the combinative effects all three types of learning have on the individuals and the organisation.

“My educational background in marketing, finance and MBA and our MD’s exposure to the industry, technical expertise, and creativity of our thinking all helped us to achieve what we have achieved today” (C07 - Senior Director).

“Both chairman and deputy chairman have got their education in the UK. They got their technical knowledge from there and got practical experience by doing internships in Germany and England” (C10 - Senior Manager1).

“They gave us a two weeks’ training (in the UK), this was in 1995. I worked in the Highland Spring and Chivas Regal whisky factory. I got the training and we came back. I had confidence with that training and the first thing I did was to buy a blow moulding machine to manufacture the bottle” (C11- Managing Director).

Another important finding indicates that entrepreneurs’ willingness to accept the ideas of the others has a strong influence on how they fill in the gaps of their own learning experiences. For example, the following quote from C05’s Managing Director indicates how they get help from external sources to enhance their learning:

“We always get external people to evaluate our work. I feel that we’ve learnt a lot from them, getting different kinds of people, going through our processes, accounts, way of working and dialogue with me, my directors, and senior managers” (C05 - Managing Director).

This section sets the scene for the next discussion topic which focuses on entrepreneurial knowledge bases. The case findings identify the nature of entrepreneurial learning interest, intensity, and involvement as a key determinant in

developing the existing knowledge levels of an entrepreneur in relation to technical, conceptual, and networking knowledge. However, the important element is not the means of learning (experiential, observational, or codified) but how this knowledge is constructed through 'reflective thinking'. Entrepreneurs' past experiences, interest, intensity, and involvement in diverse activities facilitated this reflective thinking. New knowledge is constructed using known mental schemas, and reflective thinking. For example, C01's founder identified a link between wine making and tea brewing after reading a book given to him by a friend, and then further exploring that idea and reflecting on their similarities. C03's founder identified a box of cigars as a potential new idea for packing tea. The idea came as a result of combining known elements, and identifying similar situations in unrelated areas. These entrepreneurs reflect with thoughtful analysis. This is what makes them construct new knowledge in a situation where others see just another product.

The next section looks at the types of knowledge that entrepreneurs create to identify and exploit opportunities.

6.8 The role of knowledge in the opportunity development process

The literature review and the conceptual framework chapters identified three primary entrepreneurial knowledge bases: technical knowledge; conceptual knowledge; and, networking knowledge. This section looks at how this knowledge contributed to opportunity identification in international markets. Table 6.9 depicts the criteria used in the analysis process to identify different knowledge levels of the case entrepreneurs. Table 6.10 provides case evidence with regard to the knowledge levels possessed by different entrepreneurs.

Table 6.9 Ascertaining knowledge levels

Knowledge type	Criteria
Technical	<ul style="list-style-type: none"> - Professional/ Trade qualifications related to industry - Years of experience in the industry - Evidence of getting involved with production processes, product, and marketing development - Perception of senior managers about the knowledge level of the entrepreneur - Any new processes created, developed, and implemented - Experience or qualifications in other trade/nontrade areas
Conceptual	<ul style="list-style-type: none"> - Have identified new local/international markets - Have successfully launched new products in local/international markets - Have worked closely with local and international institutions - Have identified/created new consumer/market trends - Exhibit good understanding about local and international market suitability, market selection and approach - The level of engagement in day to day business activities and operations - Perception of senior managers
Networking	<ul style="list-style-type: none"> - Exhibit good negotiation skills - Number of high profile local and international networks identified and exploited - Diversity of network partners (country, industry, institutional) - Examples of longevity of network partners - Nature of support received from network partners (funding, advice, technology, materials, market access) - The level of dependency on network partners

Table 6.10 Entrepreneurial knowledge levels

	Technical knowledge	Conceptual knowledge	Networking knowledge
C01	C01's chairman is considered a master tea blender not only in Sri Lanka but also worldwide. His expertise goes beyond just tea blending and expands into every aspect of tea production and marketing.	This is the strongest element that differentiated C01's founder from other entrepreneurs in this study. His extensive knowledge about the markets has given him a strong competitive edge to compete with even multinational companies. C01's business processes provide exemplary examples of how he uses state-of-the-art technology for competitive advantage.	C01 founder has built up strong networks comprising individuals and companies across the globe. He develops and nurtures his network relationships gradually through his negotiation skills and trustworthiness. His genuine interest in the well-being of his staff, network partners, and consumers has worked well in developing a strong long-term reciprocal relationship with them.
Indicative quotes	<i>The chairman is considered as the master tea maker and his knowledge is incomparable to anyone that I know. (Senior Manager 1)</i>	<i>There are about 200 estates in Sri Lanka and there are different types of tea, there will be blending of two to three varieties and he will know what Australians like, and what Russian would prefer, so likewise he knows the flavours of every country. (Senior Manager 1)</i>	<i>"I got into Coles because I cultivated Coles as an account. I knew they were getting their tea packed by the big boys there. I worked on the buyer." (Chairman, Source: company archives)</i>
C02	C02's superiority in technical knowledge lies more in its processes than their products. Unlike C01, C02 uses the collective knowledge of its senior team. However, even with such collective knowledge, its efficacy is substantially lower when compared with that of the C01 founder.	C02's approach to solutions is exploitation of existing resources rather than exploration. Its focus is process improvement and having full control over production processes. This approach has limited its capability to explore new product and process developments. The over-involvement in a few dominant markets it serves and lack of involvement in other markets indicates a lack of conceptual knowledge and ability to develop that knowledge.	C02 started with a team with strong network influences and work ethics. This continued and remained as a strong element in C02 managerial philosophy. C02 has a loyal work force and long-term customers. Its ability to acquire and retain two of the world's largest tea buyers for over two decades indicates its knowledge about managing relationships.
Indicative quotes	<i>"It is very important to have that (technical) knowledge. All of us are thorough with the</i>	<i>"Not only do we have the full control of what is going on, the exact solutions are there. We do not start a project</i>	<i>"Of course the skill of reading other people, it is a matter of experience. When you put an idea across it has to be in a manner that the person communicates. He</i>

	<i>technical aspects of the trade and of course the market side of it.</i> ” (Senior Director)	<i>without meticulously planning and by being aware of potentialities.</i> ” (Senior Director)	<i>must feel that it is knowledge that you transfer so you have to be informative enough to carry on a purposeful dialog.</i> (Senior Director)
C03	Its founder is one of the best known experts in the tea industry, not only as a master blender but also as an industry specialist in product development and marketing.	Its founder has an exceptional knowledge about markets in every region of the world. He travels extensively to explore new markets, identify trends, and new products. Like C01’s founder, C03’s founder gets involved with operational and strategic level activities of the business.	C03’s founder has built an extensive network of relationships comprising suppliers, distributors, customers, institutions, and financial service providers. The company was built gradually with many years of trustworthy association.
Indicative quotes	<i>I have started two three other businesses; if you don’t have the basics in the beginning and the knowledge of the product then you shouldn’t start a business... If I didn’t have total knowledge of tea, I wouldn’t have been successful in doing this business.</i> ” (Managing Director)	<i>“In some markets you can do shops and in some markets you can’t. Canada is one of our biggest markets, but we don’t do a single shop. It’s all in speciality shops.”</i> (Managing Director)	<i>“Customers we have always stayed with us. Actually, none of them left since we appointed them. I do not compromise my integrity no matter what. I do not look for short cuts.”</i> (Managing Director)
C04	C04’s founder is a master tea blender. However, there is a lack of dexterity in his technical knowledge compared to that of the C01 and C03 founders. His technical knowledge is limited to mainly product and production processes.	C04 founder’s superior technical knowledge has contributed to developing a highly efficient and controlled production system. But, it has also constrained the explorative capability of the company. Its market knowledge is limited to a few known markets and it takes a reactive approach to new market developments.	C04’s founder has a strong but relatively small network of connections. He maintains a close contact with them and virtually follows their directions.
Indicative quotes	<i>My father is an expert tea taster and blender. This is what made the difference in getting our biggest customer on board.</i> ” (Director)	<i>We have kept things very simple. That I learnt from my father. To manage yourself well, keep very, very strict control of everything. We go through everything.</i> ” (Director)	<i>“We work closely with a few high volume customers; we like to keep it that way”</i> (Director)
C05	C05’s founder is an expert tea taster and blender. His knowledge helped him to	This has been a key strength in him. The founder approached markets strategically by building the brand name in a nonthreatening way (by initially branding bulk	He has built strong institutional networks in Sri Lanka (government and nongovernment) and in overseas markets (mainly in Russia). He started recruiting sales

	develop quality tea blends and quickly offer products as per customer requirements.	tea). He started using focused marketing strategies to quickly popularise his products in new markets. He closely monitors his operations and personally gets involved with international marketing	managers that had local knowledge and access to local networks. With them he was able to penetrate quickly into many new Russian markets, a strategy most of the companies overlooked and thought difficult to manage.
	<i>I was a tea taster that is the strength we have. The knowledge of tea. I was a tea taster that was the foundation for all our tea success.”</i> (Managing Director)	<i>“You cannot only look at the price today; you need to look what should happen with the little stock you have, you have to play around with it. So it’s like mix of things which will come.”</i> (Managing Director)	<i>“I gather information, I ask people and again it is common sense, you know it is about knowing people, marketing is technical but when it comes to knowing humans generally we all have the same needs and wants so in a way similar.”</i> (Managing Director)
C06	C06’s founder is a knowledgeable tea taster. His knowledge of tea, coupled with knowledge about technicalities of international marketing, has given him the advantage over his competitors.	The C06 founder travels extensively to existing and potential markets. He closely follows local weather and quality of tea produced by tea plantations to choose the exact tea variety for his products. He is involved in every step of production and managing of the company on a day to day basis.	Supports previous case findings. C06 entrepreneur takes network development seriously. He spends time identifying potential network partners and developing them gradually until the time is right to exploit them.
Indicative quotes	<i>“It is the skill you have as a trader and a blender makes the difference in the tea trade.”</i> (Managing Director)	<i>“I generally have a good idea about market trends. We need to look at the market and weather conditions, and change our business approach accordingly..”</i> (Managing Director)	<i>“There is a contract with the buyers, but there it is more of a relationship. You need to be in touch with the person who is placing the orders, he is the key.”</i> (Managing Director)
C07	The Managing Director has been a planter and a tea industry expert. His business partner is an accountant with a marketing background.	Founders work hard to build their knowledge about new and existing markets. They engage in explorative market and marketing development activities without following their competitors.	They understand and leverage individual personal styles to different markets. Managing Director focuses on the US market and his partner focuses on the UK market. They approach networks strategically and systematically and develop them over time.
Indicative quotes	<i>“Of course it was only the knowledge, know-how. Both of us didn’t have many resources at our disposal.”</i> (Senior Director)	<i>“Branding will involve serious knowledge and investment into product development which very few are capable of or</i>	<i>“My speciality is the UK market where I work closely with the non-Sri Lankan managers, visit these markets and organise promotions, take part in trade fairs.”</i> (Senior Director)

		<i>willing to do. But we have taken a risk in that regard.”</i> (Managing Director)	
C08	C08 founder had been involved with the tea industry for many years. But his technical knowledge in tea tasting, blending and the production is significantly lower when these are compared to those of the previous case entrepreneurs.	Exhibits lower market level knowledge Preoccupied with existing market development without much focus on exploring new markets and products due to limited market and marketing knowledge	C06’s overseas network partners consist of small scale distributors with limited resources. Company is struggling to break into new markets with the existing contacts. Founder exhibits limited knowledge with regard to building new networks.
Indicative quotes		<i>“We knew this sign (decline of the European airline industry) and started looking for alternatives. We tried the trains but they have a different serving system. So then, we started getting into supermarket chains.</i> (Managing Director)	<i>“This relationship (with his buyer who helped him to develop the airline tea bag) started as a business one and developed into a personal one. It was a business need.”</i> (Managing Director).
C09	Even though C09’s founder had only primary school education, his knowledge about products and the technicalities of baking far exceeded anyone in the industry at that time.	C09’s founder captured 80 per cent of the local market, but failed to enter any of the international markets successfully due to his lack of knowledge about these markets. C09 targeted India and the Maldives but both failed without much success.	Networking was a major strength in the C09 founder. He had built a strong network around him ranging from the highest political leaders in the country to village farmers. He had a strong ability to understand others and deliver what they wanted. However, this was not the case with regard to cross- border relations.
Indicative quotes	<i>“He (founder chairman) employed state-of-the- art machinery and had superior technical and marketing knowledge to make products that are on a par with international standards.”</i> (Senior Manager 1)	<i>“That time (in the 1960-70s) it was all about manufacturing; of course, the founder did marketing also, like the hoardings and branded vehicles; in the 60s no one else had them.”</i> (Senior Manager 1) <i>“We started focusing on international markets maybe 8 years ago, until then no one knew how to approach overseas markets”</i> (Senior Manager 2)	<i>“He (founder chairman) was loved by the then consumers, and workers. Why, because of his ability to understand the common people’s needs and his capability to offer things beyond the need of a common man.”</i> (Senior Director)

C10	The C10 chairman has had formal training in food technology and has a thorough knowledge about the production process.	C10's chairman gets actively involved with production, marketing, new product development, and day to day activities of the organisation. He has an extensive knowledge about the local markets. The market knowledge he gained from visiting overseas markets was diverted to develop local market competitiveness. Hence, his international market knowledge was limited.	C10's chairman initiated strategic alliances with US, UK, and Italian companies. This indicates his influential ability to identify and develop network relationships with international partners. However, these strategic alliances were primarily used to manufacture products under the others' brand names. Also, the knowledge transfer was used to develop the local market competitiveness.
Indicative quotes	<i>"Our chairman is an all-rounder, he is a qualified baker. They know the ins and outs of baking."</i> (Senior Manager1)	<i>"Our chairman is mainly into administration now, and a very strict one at that. He knows exactly what is happening in every department and in the market. Goes through every little thing. When he is in the office everybody seems very busy with their work ..."</i> (Senior Manager)	<i>"He has extensively used local and international networks. He has a very good reputation in the business circle as well as with institutions. His personality is such that people trust his ideas and support them with much enthusiasm."</i> (Senior Manager 1)
C11	C11's founder gained his technical superiority after starting the company, and after going through many hardships. Today, he is well versed in the production technology and the science of water bottling.	The founder started with international markets; after a brief period of local market concentration, he again came back to international market as a strong contender. His overall knowledge in marketing, finance, and human resources put him in a strong position to change the organisation into a high performing international company.	Case findings provide strong support for networking knowledge of the C11 founder. He not only identified resourceful international network partners, but also exploited them successfully, benefitting both parties.
Indicative quotes	<i>"I know the technical aspects and I know the production process. But that doesn't make me an expert."</i> (Managing Director)	<i>One other thing I say to all the managers is that they should know the activities of all the departments. I visit the market very often and meet sales guys, our distributors and our customers; you have to be in touch with all of them every time.</i> (Managing Director)	<i>"I went to IDB (Industrial Development Board) and I said I have a serious problem can you sort this out...I tried to get the help from Peradeniya University, they also gave advice but it didn't work. Then IDB arranged a trip for the UK for one month."</i> (Managing Director)

Technical knowledge

The cross case findings indicate that out of 11 firms only 3 (C08, C09, C11) have low technical knowledge. The technical knowledge has played a key role in setting up the new venture and identifying and exploiting opportunities. It has been an idiosyncratic resource for all the entrepreneurs. However, there are significant differences in the levels of technical knowledge among them. The C01 and C03 founders had expert knowledge in every aspect of the tea trade (tea leaf to tea marketing), whereas C08's founder had only working knowledge about the tea blending. This gulf made a significant difference in identifying opportunities in new markets, as well as introducing new products. The same can be inferred for the three non-tea companies. What is interesting is the ability of the entrepreneurs to expand their technical knowledge into unfamiliar domains; for example, C01 ventured into tourism, and printing; C03 into restaurants and C10 started venturing into beverages and health foods.

Conceptual knowledge

The entrepreneur's conceptual knowledge also has a direct impact on how opportunities are identified and exploited under different market and competitive environments. The case findings indicate that the entrepreneurs who had high levels of conceptual knowledge knew their markets and trends well; they were closer to the consumers; and, they were aware about the economic conditions. They were also involved with the day-to-day business activities with thorough knowledge in the whole business process. The case findings highlight one specific area of conceptual knowledge that is vital to identifying and exploiting international opportunities. An entrepreneur's knowledge about international marketing activities is a decisive factor in achieving international market success. The lack of

international marketing knowledge made C02 and C04 dependent on their customers. C08 struggled to expand into new markets and launch any new products successfully. C09 and C10 failed to extend their local market success to international markets. By contrast, C01, C03, C05, C07, and C11 carried out highly effective marketing campaigns in overseas markets. C01 and C05 used costly and conventional marketing strategies to attack competition head on using mainstream media and distribution strategies.

However, C03, C05, C07, and C11 used unconventional methods to 'fly under the radar' to target niche markets by using low-cost direct marketing campaigns. C09 and C10 had virtually no knowledge in this area apart from occasional trade fair participation. They simply failed to see marketing opportunities in international markets mainly due to their lack of knowledge.

Networking knowledge

Like the other two knowledge types, network knowledge also played a vital role in the opportunity development process. The entrepreneurs' ability to identify, develop and exploit network resources depended on their networking knowledge levels. For example, the C01 entrepreneur immediately identified the value of the Australian company that was introduced to him by two of his friends. He started building the relationship from the ground up to make it one of the most profitable long-term alliances. The same can be applied to all the case companies. These entrepreneurs worked hard to build up their knowledge about networks and ways to capture the resources embedded in such networks.

However, there is a distinction between knowing local networks and knowing international networks. For example C09's elite local networks became unusable in

gaining access to international markets. C08's single overseas contact provided the opportunity to enter the European airline catering business. This conveys a strong point: 'know why', and 'know how' are important, but they are insufficient to complete the picture. You must add "know who" to the equation.

The next section focuses on the dynamic capabilities of the entrepreneurial team to use their knowledge and resources for opportunity development.

6.9 The role of dynamic capabilities in the opportunity development process

The technical, conceptual, and networking knowledge of the entrepreneur/s or the entrepreneurial team is a unique, intangible asset of the firm. So far the cross- case findings have revealed that entrepreneurs in C01, C03, C10 and C11 had high knowledge levels in all three areas.

Compared to all the other entrepreneurs, these four entrepreneurs have ventured into areas that none of the other companies have ventured into. For examples, C01 is now a global brand, with successful vertical integration and differentiation of its product portfolio (printing, packaging and tourism). C03 operates tea boutiques in 30 countries, with purpose-built tea centres and restaurants in Sri Lanka. C10 has become the market leader in every product category it sells and has foreign direct investment in a manufacturing plant in India. C11 is a leading mineral water brand in Sri Lanka and the Maldives with overseas production plants. These companies expanded their product portfolio into differentiated markets and they managed to achieve market differentiation as well.

This achievement indicates the capabilities of the entrepreneur/team to take timely decisions to modify the firm resource base using their newly acquired knowledge

to exploit market-oriented opportunities. Barreto's (2010) recent literature review on dynamic capabilities provides similar themes related to the concept. This study adopted four themes to study entrepreneurial dynamic capabilities: propensity to sense opportunities; propensity to take timely decisions; propensity to take market-oriented decisions; and, ability to change the resource base (create, extend, and reconfigure the resource base).

The cross-case analysis revealed that the entrepreneurial companies had different levels of dynamism in their capabilities. At the lowest level, C08's founder exhibited a lack of continuity in converting his knowledge to taking timely market-oriented decisions. The highest level of entrepreneurial dynamism was exhibited by C01, C03, C10, and C11. These companies stretched their resources and knowledge to their peak, by developing joint ventures, introducing new products, creating niche markets, identifying unexploited markets, and even setting up overseas sales offices and production plants. They managed to leverage their existing knowledge and resources to restructure their organisations and quickly adapt to market conditions. The entrepreneurs in these organisations converted their individual capabilities to create organisational-wide effective operating routines.

As per the case analysis, entrepreneurial dynamic capabilities (EDC) consist of three key factors: sensing of opportunities, making decisions about them, and reconfiguring resources to exploit them. However, EDC is not an end in itself, but it is a means of an end. The effect of EDC can be ascertained only by understanding how firms create value in the local and international markets. This aspect is discussed in the next section. Table 6.11 summarises the case findings under these four themes.

Table 6.11 Entrepreneurial dynamic capabilities

Case firm	Entrepreneurial dynamic capabilities			
	Sense opportunities	Make timely decisions	Make market-oriented decisions	Change resource base
C01	Early identification of a market opportunity in Australasia and threats of losing the bulk business to branded products	First company to enter the Australasian market with branded products	100 per cent pure Ceylon tea launched, targeting consumers who value authentic teas	Geared to develop brands in house
	Early identification of opportunities in printing and tea bagging operations	First company to establish tea bagging and printing operations in the country	When the C01 started its tea bagging and printing operations, they had the entire local market for exploitation	Change of operations and setting up of a new company to exclusively focus on local and international printing solutions
	Early identification of market opportunities in iced tea drinks	First and only company to set up an iced tea production plant	Iced tea is one of the highest growing products currently in the ready-to- drink product market. Highly adaptive to future market trends	Set up a purpose built state of the art production unit.
C02	Reactive approach to opportunities	Reactive approach to decision making	Reactive, but ready to adapt operations as per customer demand	Nothing significant, apart from process improvements
C03	Early identification of niche markets in gift tea products	One of the first companies to exploit the tea gift niche market	Introduction of handcrafted gift packs. This was a new experience for the consumers.	Invested heavily in developing tea kiosks around the world
C04	Reactive approach to opportunities	Reactive approach to decision making	Reactive, but ready to adapt operations as per customer demand	Nothing significant, apart from process improvements
C05	Sensed the importance of branding at the early stages of venture	Decided to enter regional markets in Russia	One of the first companies to successfully penetrate into regional markets and carry out fully fledged marketing campaigns	Invested heavily in setting up sales and marketing offices in overseas markets
C06	Proactive approach to search for new market opportunities using deliberate search	Entering into a joint venture with a Singaporean company was major directional change for the company.	Highly focused on brand development Proactive approach to meeting customer demands	Investment is directed towards building brands and marketing communications.

	Entrepreneurial dynamic capabilities			
Case firm	Sense opportunities	Make timely decisions	Make market-oriented decisions	Change resource base
C07	Deliberately searched for new opportunities	Successfully entered the European market by exploiting the distribution networks in a timely manner	Highly focused on brand development Proactive approach to meeting customer demands	Investment is directed towards building brands and developing distribution networks through setting up overseas warehouses.
C08	Reactive approach to new opportunity development	No evidence to suggest repetitive behaviour	No evidence to suggest repetitive behaviour	Nothing significant
C09	Sensitive to local market opportunities. Reactive involvement in searching for overseas market opportunities	No evidence to suggest repetitive behaviour related to international markets	Focused on adapting local market products to overseas markets (with no success)	Highly adaptive to local market conditions and resources are changed accordingly. Limited change of resources to international market dynamics
C10	Highly sensitive to local market opportunities. Proactive approach to international market development.	A trendsetter in local market Timely exploitation of overseas production opportunities	Highly sensitive to local market changes However, slow adaptation to international markets	Highly adaptive to local market conditions and resources are changed accordingly. Significant interest to change resources as per international market dynamics
C11	Proactively searches for new opportunities and overseas market expansion	Timely entry to Maldivian market and local beverage market gave a significant advantage over late entrants.	Sensitive to market changes but slow to adapt to new market trends partly due to high competitive pressure in the local market	Highly dynamic in this regard First company to set up a water purification plant in the Maldives. Continuously looks for new technological advances to improve processes

6.10 Value creation

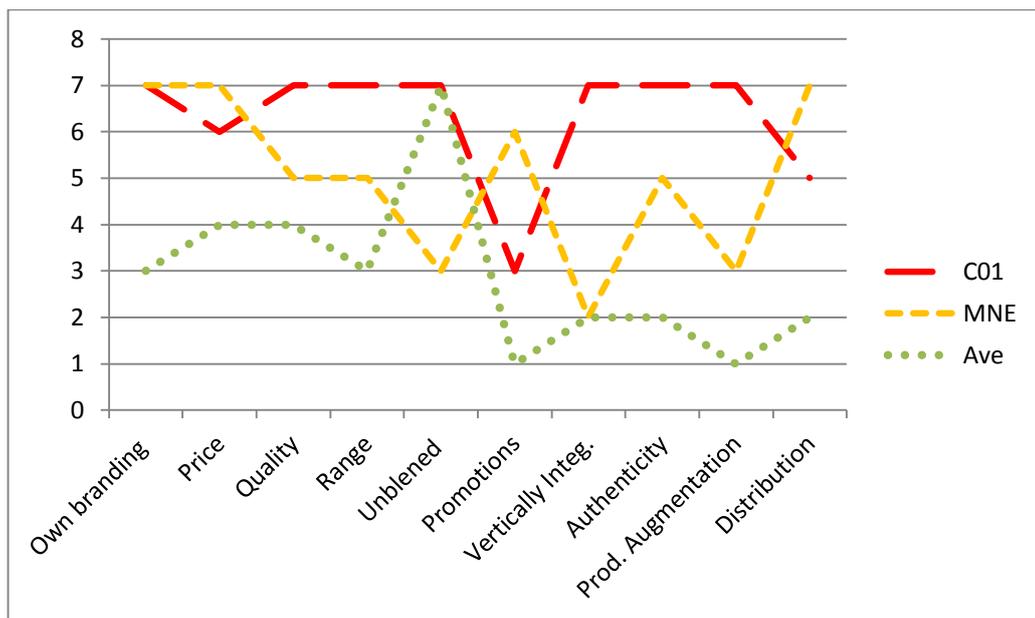
Among the traditional agricultural exports in Sri Lanka, tea exports take the first place over any other crop. Until late the 1980s, tea was exported in bulk form, without any value addition. However, this situation changed in the late 1980s due to the entrepreneurial initiative of one individual, i.e., the founder of C01. He had no intention to compete with rest of the herd. He took the industry to a higher level by directly reaching the customers with branded teas, and competed with multinational companies in their own markets. This feat was later followed by a few companies but with limited success.

This study found that firms that perform exceptionally well in terms of market reach, market and product diversification, relative market share, and customer loyalty in both local and domestic markets are firms with a holistic approach to strategic value creation.

Figure 6.1 shows the strategy canvas of C01 compared to an MNE and an average tea exporting company in Sri Lanka. In this diagram, it is clear that C01 managed to differentiate its products clearly to reorient its strategic focus from competitors to alternatives.

As such, the success of C01 lies in its ability to clearly outperform the MNEs in the areas where C01 has a distinctive local advantage. For example, having its own tea grades, blending, packaging, and printing gives it total control of its supply chain. Furthermore, C01's seamless integration into the tourism industry through lifestyle hotels and social and environmental projects breaks the industry boundaries and enhances the unique identify of the company.

Figure 6.1. Strategy canvas of C01



(Scale 0: Low; 7: High).

An average tea exporting company can be seen as a distant follower of an MNE path, whereas C01 can be seen as a trendsetter. However, apart from C01 and C03, the other case companies did not exhibit such distinctive value curves compared to their competitors. C01 is an exemplary case and the distinctive nature of its value curve is a reason for its earning the highest per kg price of all the Sri Lankan exporters for its exports. .

The findings also indicate the influence of the product in determining the internationalisation stage of the firm. C01 and other three tea firms, for all their holistic strategic approach, managed to reach only the level of setting up sales offices in international markets. The unique flavours of Ceylon tea can be attributed to the topography, climate, and soil of the country. Hence, the competitive advantage lies in the country of origin for all the tea-exporting companies, thus limiting the extent of their internationalisation to establishing sales offices. On the

other hand, C10 and C11 use FDI to set up overseas manufacturing plants to extend their internationalisation commitment to a much higher level.

The cross-case analysis identified five firms (C01, C03, C05, C07, C10 and C11) focusing on all four aspects (elimination, reduce, raise, and create) of value creation. Table 6.12 shows the value creation aspects of all the firms under study. The findings clearly indicate that firms which use all four value creation strategies are able to outperform their competitors and maintain their growth over the years.

6.11 Summary

This chapter provided cross-case findings in relation to the theoretical constructs developed in Chapter 2. It also found three new themes that exhibited strong influence on opportunity identification (perseverance), effect of entrepreneurial learning on the opportunity development process, and on the internationalisation process as a whole (entrepreneurial intentions).

The next chapter focuses on the main themes that emerged in relation to theoretical propositions developed in Chapter 2 and the effect of new themes which merged from the within and across case analysis in relation to the entrepreneurial internationalisation process.

Table 6.12 Value creation

Case firms	Value creation				Diversification
	Eliminate	Reduce	Raise	Create	Integration/ market diversification
C01	Idea that Sri Lankan tea exporters cannot brand their teas and compete with multinationals	Dependence on intermediaries (finished product reaches the overseas distribution network) Cost of production through vertical integration	Quality, freshness, and price of the tea by offering finest quality unblended teas	Non-blended 100 per cent pure Ceylon tea Introduced single region and single estate teas Introduced tea bag printing	Only vertically integrated (ownership of tea estates, tea brokering, printing, packaging, importation of tea bags, overseas sales offices) family-owned tea company in the world Investment in tourism sector (owns a luxury hotel and colonial bungalows)
C02	None	None	Quality and purity of the tea through state- of-the-art purification system	None	None (direct export)
C03	Commodity tea category, average packaging, mass market approach	Mass marketing and traditional channels of distribution (direct sales through overseas shops)	Quality and presentation of tea (speciality flavours, innovative packaging) Use local packing materials used by the craft industry	Niche segment (gift tea market offering specialised branded teas) Direct sales through tea boutique concept (locally and internationally)	Yes (Overseas sales shops, business investments in farming, insurance, aqua culture, importation of flavours and fragrances for the food and perfume markets)
C04	None	None	Quality of the product through state- of-the-art purification system	None	None (direct export) (owns a couple of hotels)
C05	Idea that Sri Lankan tea exporters cannot brand their teas	Cost reduction through reinvestment of profits (reducing the borrowing cost)	Quality of tea, quality of service, and standard of packing	Country specific tea blends and being closer to its markets with exceptional customer service	Yes (own sales offices in Europe, Russia, China, and Australia)

Case firms	Value creation				Diversification
	Eliminate	Reduce	Raise	Create	Integration/ market diversification
C06	None	Cost reduction through strict supplier evaluations	Tea image through creative brand/product designs and quality of service	None	None (direct exports)
C07	Idea that conventional markets are no longer attractive	Cost reduction through less dependence on intermediary (fully owned subsidiary in UK)	Offer tailor-made teas of any origin	Integration of local and international tea infusions to offer products targeted at uniquely positioned markets (children)	Yes (overseas sales offices, warehouses, and a subsidiary)
C08	None	None	None	Specially designed tea bag for Airline industry	None (direct exports)
C09	None	Products are reasonably priced in the market. Export product pricing is based on marginal costing.	Taste and quality of the product is far superior to those of the average competitor products	None	None (direct and indirect exports)
C10	Centralised distribution system	Intensive use of technology to reduce cost of production High bargaining power over suppliers Elimination of manual work through industrial automation Making direct purchases from farmers	Standards in delivering what customers want Introduce clean room production concept that considerably extends the shelf life of the product	Repositioned biscuit products to create new user segments Introduced new product innovations to existing market (herbal products, soups, layer cakes)	Yes Highly diversified product range. Supplies come from managed farmer organisations, Does both direct and indirect exports
C11	Keeping a deposit for plastic bottles	Fully outsourced production staff (significant reduction in labour cost and turnover issues)	Water quality standard Packaging standards (biodegradable plastic bottles) Offered more for less (better price with 10% more quantity)	Product customisation to suit local taste	Yes (Manufacture the bottles, in an overseas production facility in the Maldives)

Chapter 7

Discussion and Development of the Conceptual Model

7.1 Introduction

The purpose of this chapter is to discuss and present the findings of the case descriptions and cross-case analysis. First, the chapter discusses the findings under five themes covering the theoretical constructs. Second, based on the new findings, it develops a refined conceptual framework to depict the entrepreneurial internationalisation process, focusing on the nexus of opportunity and value creation.

7.2 Theme 1: Entrepreneurial drivers

The case evidence suggests that most of the tea entrepreneurs had the motivation to 'go it alone' after leaving the MNEs where they had learnt the trade. They certainly had the drive to create a venture to explore and exploit opportunities. The concept of entrepreneurial drive was highlighted by Carland, Carland, and Ensley (2001). They defined entrepreneurial drive (ED) "as the drive to create and grow business venture" (p.51). They developed an index to measure ED using four constructs: the need for achievement; risk taking propensity; preference for innovation; and, cognitive styles (Myers-Briggs Type Indicator). This study supports the definitions developed by Carland et al., (2001), but views its constructs differently.

In synthesising the role of entrepreneurial capacities discussed in Chapter 6, one can see the interdependency of the four concepts (prior knowledge, creativity, self-efficacy, and perseverance). Together these create a formidable force to create a

drive within an individual towards identifying and exploiting new opportunities. As such, instead of identifying them as entrepreneurial capacities, which implies individual capabilities, they are re-identified as entrepreneurial drivers and introduced as a key new concept in the opportunity development process.

Prior knowledge as a driver: Precursor of seeing new possibilities

The case findings provide strong support for an entrepreneur's prior experience and knowledge in identifying new opportunities. With the exceptions of the C11 founder, who had no industry specific experience, and the entrepreneurial founder of C08, who had only two years of operational experience in the industry, all the other entrepreneurs had extensive exposure and experience coupled with intricate knowledge about the markets, and about ways to serve those markets. This experience and knowledge provided the entrepreneurs with information related to market gaps, consumer expectations, competitor capabilities, and threats.

These entrepreneurs ventured into creating their own business with much confidence knowing exactly what they were getting into. For example, the C11 founder had negligible knowledge about the bottled water industry, but he knew about the market potential in the Maldives for bottled water. This knowledge gave him the confidence to venture into bottled water manufacturing, even with the limited technical knowledge at his disposal.

It was also found that prior knowledge about international market opportunities made a significant impact on the speed of internationalisation. For example, C09's founder did not know much about international market opportunities and he was more interested in the domestic market operations. But the C10 founder, who had the opportunity work with overseas joint venture partners, saw the new growth

potential of his business through overseas expansion and made a conscious effort to search for new international market opportunities from the company's inception.

The diversity and the richness of the entrepreneur's prior knowledge and experience drive reflective thinking, leading to new knowledge generation in both related and unrelated new venture ideas. Therefore, we can consider it as one of the entrepreneurial drivers.

Creativity as a driver: Precursor of novel ideas

The novelty and potential value creation ability of an idea provides an intrinsic motivation to carry on with the exploration and exploitation process. The case findings indicate that creativity plays a crucial role in this regard. An entrepreneur's creative insight provides stimulus to challenging the status quo to engage in developing new resource combinations, paving the way for organisational innovations and venture creations.

The existing IE literature has given scant attention to the impact of creativity levels in the entrepreneurial internationalisation process. Rather, the focus has been on the outcome of creativity, i.e., innovation.

The case findings revealed two highly creative individuals in two different industries: one in the tea industry – C01, and the other in the bakery industry – C10. These two entrepreneurs made radical changes to the industry by shattering the common beliefs about lack of international opportunities for local firms. These individuals created opportunities by constantly challenging the status quo of the industry. They redefined the operational boundaries by constantly introducing new products, investing in innovative technology, and expanding the geographic boundaries of the firm activities. The other companies lie along different points of

the creativity continuum and this difference is also reflected in the innovative nature of their companies.

The findings indicated that entrepreneurial creativity is path-dependent. Creative ideas do not come to the mind spontaneously. Rather, creativity is a process coupled with expertise, motivation, and thinking skills. When a novel idea sparks in an entrepreneur's mind, it spurs energy within the individual. It drives an entrepreneur to explore the idea further to make it an exploitable opportunity.

Self-efficacy as a driver: Precursor of confidence to explore

The entrepreneurs that exhibited higher SE levels were confident in venturing into new untested markets, promoting related and unrelated diversification, and simply being confident in their decisions without acceding to external pressures.

SE affects an entrepreneur's abilities to successfully execute behaviour required to produce certain outcomes. A person with high SE is acutely aware about the levels of his/her own capabilities. For example, the case entrepreneurs had a good understanding about what they are capable of and what they lacked in order to execute a certain task. When the entrepreneur is aware about his/her weaknesses or limitations, then he/she compensates for these by engaging in intense learning activities (C11 founder gained much confidence about the water bottling industry after attending an industry-specific training programme and courses), and by seeking external support (recruiting professionals and consultants) as in the case of entrepreneurs in C05 and C09.

The entrepreneurs' SE level is also closely related to their decision-making capabilities. The previous section highlighted that timely decision making is a dynamic capability of the entrepreneur. As such, a person with high SE is more

likely to make swift, subjective judgements about uncertain events with limited information and engage in opportunity exploitation by purely depending on the confidence of his/her abilities to execute the task successfully. This capacity explains the risk taking nature of the entrepreneur, as identified in the entrepreneurial orientation construct.

However, in the entrepreneurs' mind, what they see is not a potential risk, but rather an opportunity to create value, and they arrive at a more realistic judgement about the situation than a person who is looking at the same situation from outside (one who is not immersed in the situation). As a result, those with higher SE levels are more likely to venture into new markets, try new products, and pursue their objectives amidst external pressures. However, there is a drawback to this situation if this leads to overconfidence. When the C10 chairman decided to enter the Indian market after acquiring an Indian company, he grossly underestimated the competitive, legal, and cultural barriers present at the time. The local market success blinded him from seeing the true picture and his overconfidence exacerbated this situation.

Perseverance as a driver: Precursor to continuing effort to explore

The case findings revealed that entrepreneurs endure hard times throughout their entrepreneurial career. The younger the firms, the more difficulties they face in terms of limited resources, liability of newness, market uncertainties, and social isolation. Yet, these entrepreneurs endure the hardships to thrive in challenging situations to embrace future opportunities. With the exception of C02, C04, and C08, all other entrepreneurs exhibited the perseverance to pull through difficult times. Enduring such hardships had given them confidence in dealing with similar situations in the future. For example, knowing the difficulties of raising funds from

banks made the C05 entrepreneur reinvest in his business to build up a reserve fund, thus reducing external capital dependency. Similarly, after a bitter experience with a certain bank manager, the C03 entrepreneur determined to make his company less dependent on bank borrowings.

C07's lead entrepreneur used perseverance as a tool to enhance his image as a committed, hardworking individual. C09's founder persevered until he got exactly the machine he wanted from the British supplier. C10's chairman wanted everyone including himself to try harder until there would be no room for further improvement, with the staff reaching their limits without giving up on their efforts. Finally, C11's founder endured quality issues, financial hardships, and labour crisis to come up with one of the best quality products in the market and a financially well managed company. C11 is one of the few companies in the country that uses fully outsourced labour to run its production plants.

Perseverance is an internal drive to endure. It provides energy to help the other three constructs to develop. The reciprocal nature of these four constructs is evident in the findings. There is, however, one more important element that needs to be added to the equation of ED. That is entrepreneurial passion. The case entrepreneurs were engaged in long-term product development quests, absorbed in creating new products, and endured considerable challenges because they were passionate about what they were doing.

Passion as a driver: Precursor to engage in creating value

The founder of C01 spent a lifetime building a tea empire, but he never regarded it as work. He was simply doing what he enjoyed the most; he loved everything about tea. The same applies to the C03 entrepreneur. They both wanted to give the best

tea experience to their consumers because they enjoyed it themselves. C09's entrepreneur literally worked 15 hours a day; he was living in the world of baking because he loved the products he made.

Entrepreneurial passion is not an everyday commodity; it is a rare thing to follow a lifelong dream, let alone live one. Other case entrepreneurs did exhibit passionate involvement with their businesses. They were involved; they loved what they were doing, but they did not have the burning desire to get engrossed in what they do simply because they loved it. Nonetheless an element of passion burned within them too.

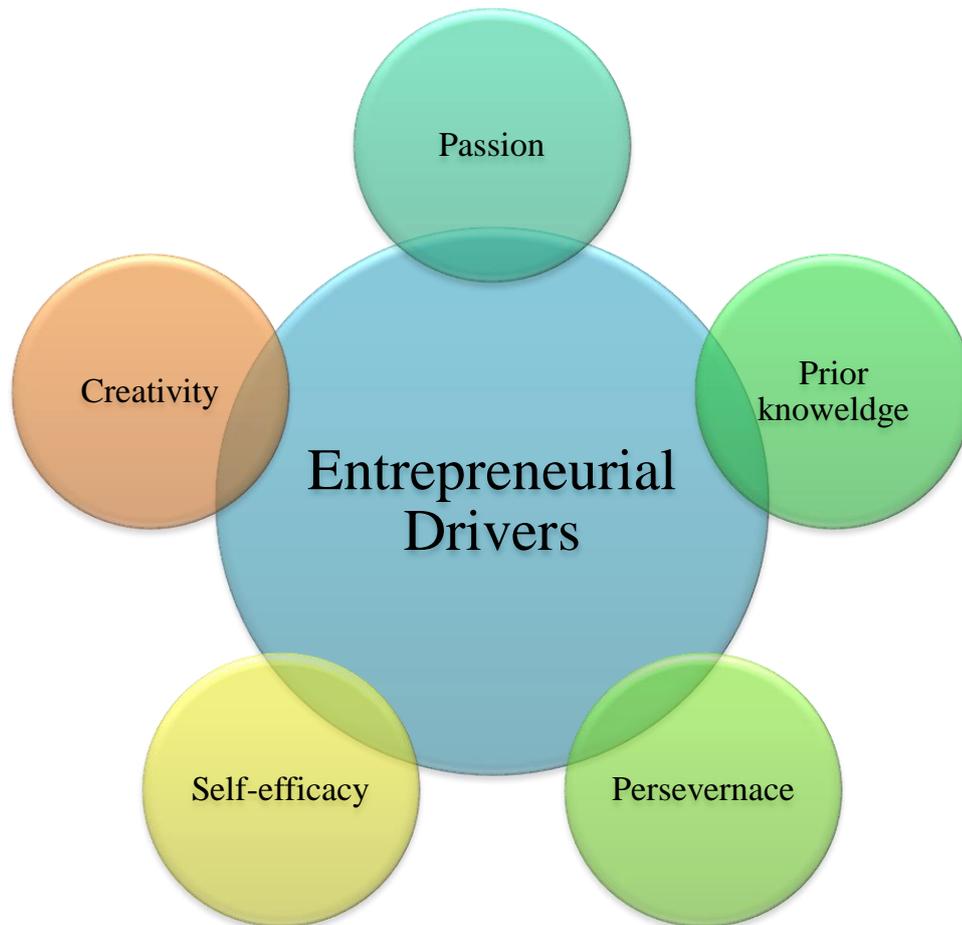
The word query search on the word 'passion' (see Appendix J) provided some interesting perspectives on the concept. For example, passion was associated with passion to achieve, passion to succeed, passion and vision, passion and commitment, passion and dedication, passion for quality, passion to help, passion for giving, and sharing the passion. This result reveals passion as a driver of entrepreneurial behaviour. It adds colour to creativity, provides a reason to persevere, and reinforces self-efficacy.

As per the case findings, when entrepreneurs are passionate about what they do, then they get involved, start thinking, keep improving, and keep going to explore and exploit more opportunities. Entrepreneurial passion is not a new concept (see Cardon, Wincent, Singh, and Drnovsek (2009) in the entrepreneurial literature. However, there is a dearth of systematic, theoretical or empirical evidence in understanding the nature, causes, and effects of entrepreneurial passion (Cardon, Gregoire, Stevens, & Patel, 2012). The present study identifies passion as an entrepreneurial driver that enables an individual to engage in activities to identify and exploit new opportunities.

Together, these five constructs provide a new dimension to the ED concept. This study highlights that it is prudent to look at creativity, knowledge, rather than looking at concepts like extroversion and introversion, risk taking, preference for innovation, and need for achievement. When you see the concept of ED from that perspective, you see that it is not as the literature portrayed an entirely innate concept. It can be developed with conscious efforts and is influenced by external factors. The five factors identified in this study also provide insights into the interconnected nature of these concepts. They exist independently but influence each other either positively or negatively. For example, prior knowledge helps to see new information that leads to coming up with creative ideas. Self-efficacy is developed through perseverance and vice versa. Passion is what binds these drivers together.

A graphical illustration of entrepreneurial drivers is given in Figure 7.1. Based on the above discussion, a new proposition is suggested below:

Figure 7.1 Entrepreneurial drivers



P1: Entrepreneurial drivers will influence an entrepreneur's effectiveness in opportunity identification and exploitation, mainly because of their effect on persistence, confidence, creative thinking and knowledge construction.

Entrepreneurial drivers are important but they are not sufficient to identify opportunities. According to Hayak (1945), possession of idiosyncratic knowledge allows people to recognise opportunity. But these opportunities rarely present themselves in neat packages (Shane & Venkataraman, 2000; Venkataraman, 1997). Therefore, information and experiences must be converted to knowledge, which is by nature idiosyncratic to the individual who possesses it. Without this knowledge one cannot recognise opportunities when encountered (Murphy, 2010).

The next section focuses on another unique concept that emerged from the case findings. It sheds light on the factors that contribute to making the entrepreneur dynamic, unique and adaptive the ability to identify and exploit opportunities.

7.3 Theme 2: Entrepreneurial insight

IE literature identifies knowledge-based resources as having a positive impact on the superior international business performance. But, there is little empirical research aimed at uncovering the knowledge types that lead to superior international performance (Knight & Cavusgil, 2004). However, there is little value in knowing knowledge types without knowing how they are developed and how the knowledge is applied to identify and exploit value-creating opportunities in local and international markets.

The opportunity identification research has given much attention to entrepreneurial attributes (prior knowledge, cognitive mechanisms, heuristics, or creative abilities) that act as antecedents of opportunity identification, without much focus on the process of acquiring such attributes (the process of learning) (Corbett, 2005). Furthermore, our understanding about how opportunities are developed after acquiring such attributes is still in its infancy.

The seminal work of Ardichivili et al., (2003) gives priority to antecedents of opportunity identification, downplaying the opportunity development aspect of the process. The opportunity recognition model developed by Lumpkin et al., (2004) based on the work of Hills, Shrader, and Lumpkin (1999) introduces a five-stage process: preparation (prior knowledge and experience), incubation (contemplates an idea), insight (a moment of recognition), evaluation (analysing whether the entrepreneur has the necessary skills to accomplish), and elaboration (capturing

value from the opportunity). Their work provides a useful starting point to understand the opportunity development process in a holistic way; however, their focus is on creativity not learning and knowledge.

The findings of this study extend Lumpkin et al.'s (2004) work in two ways. First, their study gives attention to learning, but only in the evaluation stage, and their focus is on the importance of creativity. Instead of looking at the opportunity development (OD) as an inherently creative process, this study identifies it as a knowledge development process. As such, creativity is seen as only one of the drivers of the OD process. Second, although their model looks at formation of opportunities through feasibility analysis and actualisation of such opportunities through planning and venture start-up, the model falls short of identifying the entrepreneurial decision making dynamics that have a more profound impact on the way opportunities are actualised.

This study introduces the concept of 'entrepreneurial insight' (EI), which elaborates the opportunity development process and defines EI as 'the act of understanding the inner nature of potential opportunities and ways to exploit them'. Like the entrepreneurial drivers, EI is endogenous to the individual. It must be noted that an opportunity becomes an opportunity only after successful exploitation. EI is manifested through this exploitation process. Hence, this study identifies three elements related to the EI construct: reflective thinking, knowledge building, and knowledge use.

Reflective thinking: Seeing an opportunity

'Learning' enables the entrepreneur to acquire, store, and use new knowledge (Minniti & Bygrave, 2001) through various learning mechanisms such as

experiential, vicarious sources, and the use of explicit sources. Whatever the means used to acquire knowledge, it is the entrepreneur's cognitive ability that converts experiential learning into knowledge. Kolb's (1984) model of experiential learning shows that individuals learn through experience, reflection, thought, and experimentation. Applying Kolb's theory to Lumpkin, Hills and Shrader's model of the opportunity recognition process, Corbett (2005) identifies four learning modes applicable to different parts of the model: convergent learning; assimilative learning; divergent learning; and, accommodative learning. Corbett argues that individuals tend to have a preference for one of four different learning modes and perform better during different parts of the entrepreneurial opportunity identification process.

The concept of 'reflection' is not new and can be traced back to the work of Dewey (1933) (his original work published in 1910). Rodgers (2002) summarising the work of Dewey states:

'Reflection is a meaning-making process that moves a learner from one experience into the next with deeper understanding of its relationships with the connections to other experiences and ideas. It is a thread that makes continuity of learning possible, and ensures the progress of the individual and, ultimately society. It is a means to essentially moral ends as a process that moves a learner from one experience into the next with deeper understanding of its relationships' (p. 845).

This study found that entrepreneurial intention and the entrepreneurial drivers discussed in the previous sections play an important role in how entrepreneurs accumulate knowledge through reflecting upon different attributes of their experiences and ideas. Therefore, in contrast Corbett's (2005) conceptualisation,

irrespective of individual preferences for a particular type of learning, knowledge comes about as a result of reflective thinking. As such, knowledge is constructed through thinking and not by mere experience. Hence, it is what an individual constructs from an experience that gives that experience value (Rodgers, 2002). For example, an individual can work in the same job for many years without improving his/her performance, but an individual who works in the same environment for only a few months could reach the same levels by thinking differently about every experiential encounter he/she has.

Entrepreneurs generate ideas because of their ability to think reflectively. For example, the C01 founder's idea of launching his own tea brand came to his mind as a result of his overseas training. It is important to note that, although two other Sri Lankans took part in the same programme and shared similar backgrounds and experiences (tea tasters), neither of them thought that branding would be the future of the tea business and followed that path. They remained tea tasters for life.

The entrepreneurs in C01, C03, and C07 worked for MNEs when they decided to venture into creating their own firms. They had been contemplating the idea of leaving for some time since they had limited career opportunities in the MNE hierarchy (Jones, 2000). They were reflecting on alternative ways of thinking and living. Reflective thinking involves thinking about experiences, learning from them and doing something different the next time.

Another interesting element sheds light on how reflective thinking develops the knowledge levels of the entrepreneur. The C05 entrepreneur started branding of his products after contemplating ways to protect his product from the competition and to develop a loyal customer base. He did not have any formal knowledge about marketing, let alone branding. Today, he is successfully using marketing strategies

to increase his market share. Similarly, C11's founder started his business with little technical knowledge about producing bottled water. Gradually he started learning the trade by always thinking about how to improve his knowledge, and ultimately finding the answer.

Reflective thinking directs our attention from the means of learning (experience and observation) to how knowledge is constructed. This shift is the first step in developing entrepreneurial insight. It is the first stage in the process whereby an idea gets converted to a seed of opportunity. The next stage looks at knowledge types that entrepreneurs develop to take this opportunity to next level. Without such knowledge, there is no ground for the seed to grow in.

Knowledge development: Knowing the opportunity

The case evidence suggests that technical, conceptual, and networking knowledge play an important role in determining venture formation, growth, and survival. All the tea exporting firm entrepreneurs and the C11 entrepreneur had gained conceptual knowledge about the international markets, competition, suppliers, and customers at the time of starting their ventures. C09 started with no international market knowledge and approached the international market gradually (Fletcher, Harris, & Richey Jr., 2013). On the other hand, C10 had a, relatively, higher international market knowledge and was able to identify international market opportunities faster than its counterparts. This point indicates that higher international market knowledge is capable of reducing the market uncertainties and enables faster internationalisation.

So far, IE scholars have given attention to knowledge about international “markets”. This study found that international “marketing” knowledge plays a significant role

in determining international success. Investing in brand building in the international markets made all the difference for case firms C01, C03, C05, and C06. They managed to connect with the international consumers by spending time with them, and constantly monitoring competitors to develop and adapt their own products. As such, relationships became the key in developing customer-oriented products and company adaptation. This is what was missing in the C09 and C10 entrepreneurs. Their customer knowledge did not extend beyond the local boundaries, and they adopted local marketing strategies to win international customers, which became a recipe for failure.

Another important aspect is that the case entrepreneurs had substantial knowledge about the resources embedded in their social networks and were knowledgeable about their needs and motives. This is an important type of knowledge that has so far been overlooked by the IE scholars. Mejri and Umemoto (2010) introduce a type of knowledge called ‘network knowledge’, a somewhat similar conceptualisation related to networking knowledge, but it focuses on knowledge embedded in the social and business networks, referring to the network itself as the locus of knowledge.

This study argues that networking knowledge is a fundamental knowledge type that an entrepreneur must develop in order to build relationships with the right partners, in particular with international partners and customers. No matter how resourceful the potential partners are, if the individual is not capable of knowing how to access them and build relationships with such partners, their development paths become extremely limited. This is what happened to C08. After the downturn of the European airline industry, C08 could not successfully penetrate into other markets. By contrast, their networking knowledge was successfully used by all the other

entrepreneurs to rapidly grow their ventures and bring long-term stability to their operations. The founder of C09 had built a strong local network but not an international one. In contrast, C10 developed strong international relationships but used them to develop only the local market.

Possessing superior technical, international marketing and international networking knowledge put entrepreneurs in a highly advantageous position. However, knowing something adds little value if you are unable to use that knowledge at the right time with the right resources to create value. This is the final step in developing the EI.

Knowledge use: Knowing what to do with an opportunity

Entrepreneurial capabilities consist of skills and abilities of entrepreneurs that enable them to adapt, synthesise, and integrate acquired knowledge to reconfigure resources to exploit value-creating opportunities. In essence, the entrepreneur's capability lies in knowing how to deploy tangible and intangible resources through the organisational process in order to sense, shape, and seize opportunities (Amit & Schoemaker, 1993; Teece, 2007).

Though the DC perspective made inroads into IE theory in early 2000, there is still ambiguity about what constitutes dynamic capabilities. To the author's knowledge, this study is the first empirical study that looks at the recent conceptualisation developed by Barreto (2010) about the perspective. Barreto's literature review suggests a new conceptualisation of DC as a multidimensional aggregate construct. Even though Barreto (2010) introduced DCs as a firm level capability, this study identified them as entrepreneurial capabilities operating at the individual level. The case findings support the idea that the entrepreneurs play a central role in the

decision making activities of the firm. Hence, it is prudent to use an individual perspective to understand DC and then extrapolate to a firm level.

The four distinct facets of the DC perspective: sense opportunities and threat; timely decision making; market-oriented decision making; and, ability to change the firm's resource base clearly made the difference in differentiating companies in terms of performance, growth, and survival. These four distinct but related dimensions completed the EI construct. These four dimensions provide insights into not only how firms adapt to market changes, but into how firms influence and change the market dynamics.

This line of thinking leads us to two critical components of opportunity development and exploitation. First, the unique knowledge possessed by the entrepreneurs assists them in understanding the potential value of their underdeveloped opportunities. Second, the development of opportunities and their exploitation is determined by the level of entrepreneurial dynamic capabilities. Thus, an opportunity that started as a seedling becomes a fully blown opportunity through development of knowledge; and, it gets exploited at the right time, depending on the entrepreneurial dynamism.

The case findings suggest that dynamic capabilities are rooted in individual knowledge and creative acts, rather than organisational routines. For example, the path breaking approaches of C01, C03, and C10 are not a result of well-defined, established routines or processes. Rather, they were a result of reflective thinking. This aspect is also illustrated in the case of C09. After the demise of its founder entrepreneur, C09's rapid growth started to decline and it lost its market leadership position despite having technologically advanced machinery and more stream-lined production routines than its main competitor. This situation indicates that without

knowledge, entrepreneurial DCs become stale, decisions become nonmarket-oriented, incapable of changing resources, and out of date.

In general, the DC perspective has been associated with rapidly changing business environments. However, this study identified that whether the environment is dynamic or not, it is the dynamism of the individuals which is capable of inducing dynamism into industries which can be considered traditional, stable, and slow growing, such as the tea industry.

The symbiotic relationship between reflective thinking, knowledge, and dynamic capabilities is depicted in Figure 7.2. These three elements shed light on how entrepreneurs understand the inner nature of potential opportunities and ways to exploit them. Entrepreneurs see not only an opportunity but ways to exploit it; they see a holistic picture which many others fail to see. As such, they act with entrepreneurial insight and not hindsight. They see opportunities not risks and entrepreneurial drivers push them to pursue such opportunities with conviction.

Based on the discussion of this section, a new proposition is suggested below:

P2: Entrepreneurial insight (EI) consists of three integrative elements: reflective thinking, knowledge, and dynamic capabilities. EI is the key to identifying and exploiting opportunities. The higher the EI, the higher the ability to see value-creating opportunities and exploit them

Figure 7.2 Entrepreneurial insight



The discussion so far elucidates the important roles played by entrepreneurial drivers and entrepreneurial insight in identifying and exploiting opportunities. The former adds the energy to engage in a process of opportunity seeking and the latter brings the ideas to maturity. However, this process originated with an intention; it started with a higher purpose than simply exploiting an opportunity. The next section focuses on this important theme and its effect on the process of opportunity identification and exploitation.

7.4 Theme 3: Entrepreneurial intentions

The “opportunity identification process is clearly an intentional process” (Krueger, Reilly, & Carsrud, 2000, p. 411). Even though Krueger, Reilly, and Carsrud (2000) view entrepreneurial intentions as a concept that needs the attention of scholars

since it offers a means to better explain and predict entrepreneurship, surprisingly, there are hardly any empirical studies that have looked at the effect of entrepreneurial intentions on opportunity identification and exploitation. The term 'entrepreneurial intention' has, however, been commonly associated as one of the properties that lead to firm emergence (Bird, 1988; Katz & Gartner, 1988).

In the IE literature, Coviello and Munro (1997) found that small software firms have a domestic focus at the initial stages (0-1 years), but had clear intentions to internationalise, an intention which was later developed and translated into firms being actively involved with foreign market operation. Kundu and Katz (2003) single out 'intentions' as a vital link in the born-international SME internationalisation path. They argue that entrepreneurs are able to gather necessary resources only when they intend to sell internationally.

This study not only extends the above views, but also suggests that entrepreneurial intentions are the key element that governs venture formation, its growth path, and survival. It is the source of an individual's entrepreneurial journey.

The case firms indicated two types of intentions. First, entrepreneurs had different motives to start up a venture. At this stage, the entrepreneur focuses on organising the resources (human, financial, physical) necessary for venture formation. Second, once the venture is formed, the entire process was driven by an underlying intention, directing the firm's external and internal resources towards achieving this goal. From an internationalisation process perspective, secondary intentions supported the entrepreneurial drivers and set the future direction of the company. Therefore, the research findings assert the internationalisation process gets its guidance from entrepreneurial intentions.

The tea exporting companies were established to serve overseas markets. However, their internationalisation growth path was determined by the specific entrepreneurial intentions. For example, C01, C03, C05, and C07 had clear intentions to develop their own brands. Not only did these companies achieve their intended objective, they but also steered the industry to a whole new competitive level in the international markets. Traditional firms (C09 and C10) started with the domestic focus, but C10 had a strong intention to expand its activities across borders from inception. This intention made a difference in the extent to which these two firms' internationalisation progressed over the years. C09 has just started taking part in international exhibitions, whereas C10 started actively searching for overseas customers two decades ago. Today, C10 is the leading exporter of confectionery products in Sri Lanka. Table 7.1 provides a summary of these two kinds of entrepreneurial intentions.

Another interesting aspect of entrepreneurial intention is its relevance to international opportunity identification. According to Shook, Priem, and McGee (2003), the search for new opportunities begins once the entrepreneurial intention is formed. However, this is a rather emergent line of inquiry in IE literature.

Table 7.1 Types of entrepreneurial intentions

Primary intention (venture formation)	Cases
1) Interest in starting a business/to enjoy more freedom to do things	C03,C05, C08, C11
2) Venture formation in order to expand the existing business	C09, C10
3) Venture formation to exploit an identified opportunity	C01, C02, C04, C07
Secondary intention (focus)	
1) Passion to differentiate (branding, unique products/niche markets)	C01, C03, C05
2) Provide a superior quality product (local market focus)	C09
3) To be a leader in every product category (local market focus), with international expansion	C10
4) Provide a superior service to international buyers	C02, C04,
5) Aggressively grow by expanding into new markets and through product and market development	C06, C07, C11

To date, the IE studies have paid scant attention to investigating the important role played by the entrepreneurial intentions in international opportunity identification. A recent study that focused on intentions by Evald, Klyver and Christensen (2011) found that human capital and social capital had a positive influence on the level of intended export. Therefore, they concluded ‘intention’ was an outcome variable rather than a predictor variable related to the internationalisation process. As such, they assumed that intentions are a strong predictor of future behaviour without testing this supposition. The only study that focused on international opportunity identification and exploitation found that entrepreneurial intentionality has an influence on willingness and ability to discover and exploit international market opportunities (Chandra, et al., 2012). The present study provides strong empirical support to ascertain how export intentions translate into actual export behaviour.

The cross-case findings also indicated that entrepreneurial intentions come at the starting point of the internationalisation path of the firm.

Another important effect of intention is that it makes entrepreneurs alert to potential opportunities. This idea deviates from the theorisation of Ardichvili et al., (2003). They postulate personality traits (creativity, optimism), social networks (weak ties, actions set, partnerships, and inner circle) and prior knowledge act as antecedents and have a positive effect of entrepreneurial alertness. However, this study revealed that entrepreneurial intention is the origin of alertness. Once the entrepreneur has an idea of what he/she wants to achieve, that idea directs the person's attention towards sensitive external information related to the entrepreneur's area of interest. This focus makes the entrepreneur more attentive to environmental changes in order to identify imprecisely defined market needs (all case firms) or underemployed resources and capabilities (C01, C03, C05, C10, and C11).

In summary, entrepreneurial intentions are the instigating point of the internationalisation process. Once the intention is formed to start a venture (targeting either international or local market), then entrepreneurs become sensitive to opportunities relevant to that area and they focus on developing and building tangible and intangible resources towards achieving their goals.

This conclusion points to an interesting concept. Together, entrepreneurial intentions, drivers, and insight provide a strong rationalisation as to why some firms go international while others stay within their local boundaries. Ultimately, these factors lead to identifying and exploiting value-creating opportunities in either local or international markets. If the firm has a higher potential of creating value in the international market, it simply follows that path. This relationship is depicted in Figure 7.3.

Figure 7.3. From intentions to value creation



Based on this discussion below, the next proposition is suggested:

P3: Entrepreneurial intentions influence the growth path of a firm, mainly because of their effect on propensity to act towards a predetermined direction.

This discussion has so far looked at the influence of endogenous entrepreneurial factors related to the opportunity identification process. Apart from the influence of the general environment, two other exogenous factors were identified as influential elements in this process. The effect of these two will be discussed in the next section.

7.5 Theme 4: Exogenous influences on the opportunity identification process

The literature review chapter identified two factors that can have an influence on the opportunity identification process. The findings of the study identified a firm as a repository of resources that is external to the opportunity identification process. Similarly, SC is also considered as an external element. The next section focuses on the effect these two factors have on the opportunity identification process.

7.5.1 Resourcefulness of networks (social capital)

The literature provides abundant support for the positive influence of SC on successful internationalisation. Hence, the conceptual framework chapter identified SC as a main resource in the opportunity development process. The initial proposition derived from the literature review is given below:

P2: Entrepreneurs' social capital affects their capabilities and knowledge, leading to opportunity development by providing advice, information, resources, and resource mobilisation.

The case findings confirmed the above proposition and identified SC as a strong precursor to the speed and the extent of internationalisation. The resource constraints experienced at the individual and, primarily, at the firm level were mitigated by the support of resourceful networks. For example, it is difficult for a new venture with limited resources, knowledge, and liability of newness to enter international markets, let alone identify an entry point into the market.

The case firms C04, C05, C06, and C08, started their ventures because of the support they received from their network contacts which had been developed from previous work experience. These contacts functioned as the importer and distributor in their respective countries, provided market information, facilitated the market entry by ordering the products, and supported with financial and technical assistance. C02 and C04 entirely depended on their network partners to carry out their operational activities and continuation of the venture.

All of the case entrepreneurs consciously made considerable efforts in developing their networks. All of them are members of export chambers, and even hold executive positions. They are members of clubs and other social associations such

as Toastmasters, the Lions Club and Rotaract (Rotary) clubs. They personally travel to overseas trade fairs and make customer visits and correspond with customers to maintain their network connections.

However, it is not the number of ties that made the difference in successful internationalisation of firms but the resourcefulness of these ties. For example, C01's founder is a well-known person in the tea industry. He was an active member who advocated many changes to the Sri Lankan tea industry. Yet, his most important breakthrough into international markets came from a few of his overseas ties that had the most valuable resource of all, i.e., information with regard to a market entry opportunity to Australia. As mentioned earlier, the whole business operation of C02 and C04 rests on a few key overseas buyers. Knowing more people is beneficial in terms of bridging 'structural holes', but knowing the right person is crucial to business growth and survival.

The recent work of Chandra et al., (2009) stated the **quality** of weak ties is more important than the **quantity** of weak ties in the opportunity recognition process. However, their work highlights only the role of weak ties in the opportunity identification process. To the author's knowledge, apart from Chandra et al.'s work, none of the studies that focused on SC looked specifically at the role played by SC in the opportunity identification process. This study extends the work of Chandra et al., (2009) and contends it is imperative to understand the dynamics of tie resourcefulness in relation to the opportunity identification process. By doing so, it highlights that SC is a dynamic concept; it changes over time, and moderates the opportunity identification process. Moreover, value extraction from SC depends on two critical factors: trust and strategic value exchange.

Trust is a psychological state where one party expects that the other party will not act opportunistically if given the chance to do so (Jap, 1999; Rousseau, Sitkin, Burt, & Camerer, 1998). Primarily, all the firm entrepreneurs had repeated interactions with their network partners over many years. This interaction led to the development of relational trust between the entrepreneur and the network partners (Rousseau, et al., 1998). According to Rousseau et al. (1998), “*Relational trust* derives from repeated interactions over time between trustor and trustee. Information available to the trustor *from within the relationship itself* forms the basis of relational trust” (p. 399). Relational trust limits the opportunistic behaviour between parties and drives the transaction cost down. As such, all the firms in this study were engaged in non-contractual relationships with many of their distributors; relationships were based purely on the trustworthiness of their partners.

The second key element is *perceived strategic value of exchange*. It involves the *perception* of network partners that, by being in a partnership, there are either tangible (physical resources) or intangible (knowledge, information and psychological) benefits and potential for developing value-creating opportunities. As this study finds, there is an element of reciprocity, but more importantly, it is the perceived expectation of embedded value in a relationship that matters. For example, for the entrepreneurs in all the tea exporting companies, there was an element of relational trust build up between the two parties. When the entrepreneurs started their own ventures, these customers followed them and started giving business to these newly founded ventures. These customers also had confidence in the capabilities of these entrepreneurs to provide better value (in terms of pricing, quality of the product, and service).

It was evident from the case findings that an entrepreneur's SC is formed over time through business and social interactions. As such, it is dynamic and changes over time. It is developed from a basis that rests on the relational trust and perceived strategic value of the exchange between parties. For example, the C01 entrepreneur recognised the strategic value of his Australian contacts in getting into Coles supermarket and acted on developing these further. C01's founder immediately agreed to start a new company to start printing tea bags when he decided to start a printing business with a partner (whom he knew and trusted, and who was already in the printing business, with expert knowledge in the printing process, but without the financial means to expand his services), Today this printing business is one of the largest and best managed companies in Sri Lanka.

This case exemplifies that SC does not just bring opportunities; it facilitates opportunity identification and exploitation. As such, internationalisation does not happen because entrepreneurs have access to SC. For example, the C10 founder developed strategic alliances with a few multinationals, but he never used them to explore international markets. Entrepreneurs must build a trustworthy reputation and develop the knowledge to perceive in advance and appreciate the potential value embedded in networks.

The discussion in this section leads to the refinement of the final two propositions of this study:

<p>P4a: For entrepreneurs, social capital moderates the opportunity development process because of its effect on the tangible and intangible resources.</p>
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P4b: SC is a dynamic resource. It is developed with conscious effort through trust and perceived value reciprocity. SC decays as a result of the fading of either of these key factors.

7.5.2 Access to resources

The conceptual framework chapter identified access to resources as having an effect on the knowledge and capability base of the entrepreneur. This connection is shown in the proposition below:

P3: The entrepreneur's access to tangible and intangible resources affects his/her knowledge and capability base, leading to opportunity development.

Entrepreneurs may start a business with varied levels of access to resources. In most cases, it is the entrepreneur's own savings and some support from family and friends which they gradually build the venture. The case findings strongly support the notion that more resources provide more opportunities (Gilbert, et al., 2006; Thakur, 1999) and faster internationalisation (Rialp & Rialp, 2007). In general, entrepreneurship research treats resources as a fundamental factor in the opportunity identification process, the reason being that entrepreneurs' ability to spot suboptimal deployment of resources may help them to develop an opportunity to create value (Ardichvili, et al., 2003). It is envisaged that the opportunity identification process is affected by the degree of specificity of knowledge about undefined market needs and underemployed resources (Kirzner, 1973; Casson 1982). But the focus is directed towards how opportunities are created through creative combinations of resources. Hence, resources are taken as granted. Opportunity identification literature has given scant attention to the role played by resources in the opportunity identification process. Shane's (2000) work focuses on

resource requirements to exploit entrepreneurial opportunities. Again, however, this research is limited to acquiring financial resources.

This study looks at three aspects of firm resources. First, it identifies types of resources that are needed for the opportunity identification and exploitation process. Second, it suggests the nature of the influence of these resources. Finally, it highlights how these resources are created within the boundary of a firm.

This study indicates that financial, human, and physical resources influence the opportunity identification and exploitation process. The case findings clearly support the idea that ventures with higher resources are more likely to identify more opportunities, survive and grow, because these resources provide a buffer and provide long-term stability to the venture. The case companies C03, C05, C06, C07, C11 and C08 started with virtually entrepreneurial knowledge only. However, they gradually built up their financial, physical, and human resources.

Therefore, all three types of resources have the capacity to moderate the new opportunity development process. The more resources the company had access to, the more alternatives were available to generate new resource combinations. For example, though many companies started with a scant resource base, they managed to reinvest their sales proceeds to develop their three resource bases faster. All the companies emerged from resource poverty after 5 years into their operation. With more resources at their disposal, these companies expanded their geographic scope, participated in more international trade fairs, improved their product process, and started functioning in a more structured way to build their brands.

The case information points to three ways of increasing firm resource bases. First, when faced with the challenge of resource poverty, entrepreneurs think of ways to

create something from nothing (Baker & Nelson, 2005). For example, C05's founder converted his kitchen to a laboratory, and used basic tools borrowed from his friends. C03 started his operations by using his garage as the storage and office room. These examples suggest that, when faced with resource-poor environments, entrepreneurs use what is at hand to solve their problems. This course is one way of developing a resource base. The next one looks at reinvestment in three types of resources. After going through hard times raising funds through financial institutions, the C03 and C05 entrepreneurs decided to build their own funds by reinvesting their profits. The third and final method came from the networks. Personal and business ties provided access to their resources. The C11 founder was fortunate enough to use the land owned by a friend, without any payment until he started generating a positive cash flow from his business.

In summary, firm level resources moderate the entrepreneur's ability to develop new opportunities by way of providing a wider choice for new resource combinations. Entrepreneurs faced with scarce resources develop their resource base in three ways: through bricolage, through reinvestment of earnings, and through using external networks. Collectively, these acts lead to *strategic preservation* of firm resources. By accumulating more resources at firm level, the firm relies less on borrowed capital from financial institutions and takes advantage of its own resourcefulness.

This discussion leads to the refined proposition below:

P5a: The entrepreneur's access to financial, physical, and human resources moderates the opportunity identification and exploitation process.

P5b: Entrepreneurs build their resources through bricolage, reinvestment of profits, and by using external networks.

So far the discussion has looked at exogenous and individual-specific factors that affect the opportunity development and exploitation process. Opportunities are useless if they are incapable of creating value for the firm's stakeholders. In particular, if a firm is incapable of identifying and exploiting value-creating opportunities in international markets, then that firm will not be able to cross its local boundaries. This final and important theme will be discussed in the next section.

7.6 Theme 5: Internationalisation: The nexus of opportunity and value creation

The existing IE literature simply identifies an opportunity as something that exists in the environment for entrepreneurs to exploit, rather than considering it as the main element that determines why and how firms enter international markets.

The cross-case findings revealed that the nature of opportunity and the firm's ability to offer value-creating solutions set the stage for the internationalisation process of the firm. In this regard, international opportunities must be understood from the perspective of the customer (value sought) as well as the firm (value creation) (Ardichvili, et al., 2003). This is an important new direction in understanding the internationalisation process of the firm, since it provides a better explanation for the

behaviour of different types of internationalising firms such as Born Global, re-internationalised, and traditional.

All the case firms that were in the tea industry can be considered as BG firms according to the existing BG definitions (based on >25% FSTS and internationalisation in < 3years after inception). These firms started exporting from their inception, reached physically and psychically distant markets and rapidly internationalised into many countries around the world. At the time of international entry, none of these firms possessed superior technical expertise, highly innovative products, nor were they in a technological intensive industry as indicated by the existing literature (Knight & Cavusgil, 2004; Rennie, 1993). What they had was a basic commodity for which there was a demand in an international market with higher value generating capacity compared to that of the domestic market. These firms were identified as *traditional BGs* because they emerged from one of the traditional industries. BG firms are generally associated with knowledge intensive industries. Scholars have yet to see BG characteristics in traditional firms. This study provides a unique perspective on the BG phenomenon and postulates that BGs are spread across all types of industries. Seeing them is a matter of identifying value-creating opportunities in international markets.

The firm C11 started its activities by exporting its products and later turned to the domestic market. C11 became a BG company because of its capability to offer a better-value product to a market where there is a strong need for such products. In this case, C11 exported mineral water to the Maldives, a market where water is a scarce commodity. Later, C11 turned to domestic market expansion with more new products and beverages, since it saw more value-creating opportunities in the domestic market.

The two traditional companies (C09 and C10) in the bakery industry had a different approach to international market entry. Both these companies started with the local market focus, catering to local market needs. Since their products were only capable of creating value under local market conditions, their products were not designed to suit international market requirements (packaging, language, and taste). After many years of domestic operation (but exporting irregular quantities to overseas markets) C10 managed to enter into international markets, first targeting the ethnic Sri Lankan community living overseas because the firm had the intention to export from its very early days.

However, once the initial opportunity was identified by the entrepreneur, its development and subsequent exploitation depended on the value creation ability of the firm. All the tea exporting firms exhibited comparatively higher value-creating ability in overseas markets since they all approached the market from inception and expanded their activities across the world markets. This expansion is primarily due to the nature of its product rather than the firm's ability, but subsequent development and growth patterns can be attributed to the continuous value-creating ability of the firm. C01 is the prime example of this ability.

C11 managed to exploit the opportunity in a geographically closer market (the Maldives), and other two traditional companies started with an even lower level of value creation targeting ethnic Sri Lankan community in overseas markets. C09 and C10 targeted psychically closer markets, not geographically closer markets. This finding indicates that a firm's geographic expansion depends on the nature of the opportunity and not always according to the prediction of stage theories. The irregular pattern depicted in C11 is due to its temporary withdrawal from the Maldivian market due to a quality issue. C11's entrepreneur had to undergo a

strenuous learning process to re-enter the market with an improved product, which later developed to establish a production plant.

Firms such as C01, C03, and C05 engaged in value innovation activities in international markets and can be categorised as the top performers among all the case firms. Even though these companies were not consciously aware about value innovation strategies (eliminate, reduce, raise and create), they were engaged in successful value innovation using all four strategic options. As a result, they managed to get higher margins, grow faster, and achieve market and product diversification.

These findings provide some interesting future directions for the theoretical development of IE domains. First, the findings support the idea that BG phenomenon is a common occurrence across every industry whether it is high-tech or traditional agriculture-based. Companies become BG when they identify an opportunity to exploit and are capable enough of creating value in that market.

Second, the survival of the internationalising firm depends on continued value creation of the firm. This capability applies to every type of firm. This finding provides new insights into how traditional companies expand their international activities. The Uppsala model (Johanson & Vahlne, 1977) considers the firm's internationalisation as a gradual incremental process related to the knowledge and commitment of the focal firm. However, this study found that value-creating opportunities act as a precursor to the internationalisation process. The firms that exhibited higher value creation capabilities reached higher stages of internationalisation by establishing sales offices, own warehouses, joint ventures, and even overseas production units.

The above discussion confirms the initial proposition developed from the literature review.

P6: The speed, extent, and scope the internationalisation process is determined by the number of value-creating opportunities identified and exploited in the international markets.

7.7 Development of the conceptual model

The primary research question of this study intends to identify the entrepreneurial internationalisation process of Sri Lankan firms, by specifically focusing on the factors leading to international opportunity identification and value creation activities. The case findings assisted in developing a conceptual model that looks at the internationalisation process from a broader standpoint, by integrating multiple theoretical perspectives and integrating individual, firm, and network level factors.

The general model starts with entrepreneurial intentions. The findings indicated that intentions play a key role in initiating the process of internationalisation and its trajectory. As such, intention gives direction, makes the entrepreneur alert to new opportunities, and guides the resource allocation and combination process to reach the intended goals. The relationship between entrepreneurial intention and opportunity identification and exploitation is influenced by several other key factors related to the individual, firm, and networks.

At the individual level, the five entrepreneurial drivers focused on intrinsic cognitive and experiential level factors. First, the entrepreneur's prior knowledge and experience is important in recognising and developing new opportunities; it enhances learning, affects reflective thinking, and new knowledge construction. Second, entrepreneurial creativity gave the entrepreneurs the distinctive advantage

in generating novel ideas. Creativity influences the firm's level of innovation and creation of idiosyncratic resource combinations. Third, entrepreneurial self-efficacy is what gives the entrepreneur confidence to take risks, persevere, and take quick decisions, trusting his/her intuition and capabilities. Fourth, entrepreneurial perseverance is essential when facing adversity and continuing to stay in the battleground long enough without losing focus. Entrepreneurs who have high perseverance gain more experience, encounter more opportunities, and commit their resources until they achieve their goals. Finally, entrepreneurial passion keeps entrepreneurs engaged in their activities, energising their mind and body.

The next level of individual abilities consists of higher order entrepreneurial capabilities. The concept of entrepreneurial insight explains how entrepreneurs use their experiences to think reflectively and develop three types of knowledge bases. Using this knowledge, they adapt to new situations swiftly by taking quick market-related decisions to combine and recombine resources to create competitive advantage. In essence, the integrative forces of these three variables initiate and sustain the international opportunity development and exploitation process.

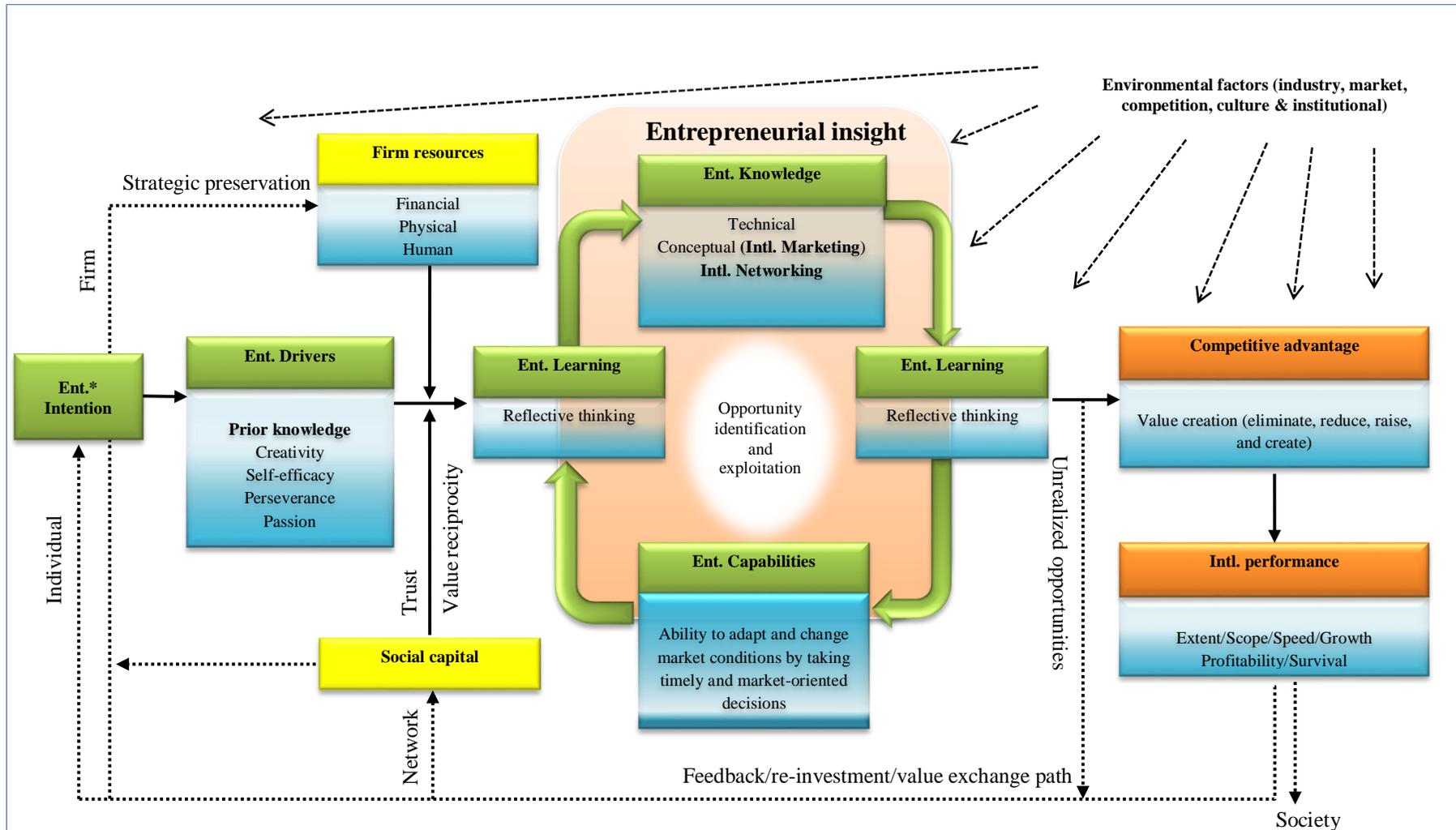
The two variables that moderate the opportunity identification process come externally to the individual; they are firm level resources and network embedded resources. A firm is a repository of financial, human, physical resources. The more resources an entrepreneur/team has at its disposal, the more opportunities it gets to develop new resource combinations and to initiate value-creating opportunities. SC is the other main factor that moderates the opportunity development process. Not only does SC provide information, knowledge, capabilities and tangible resources, it is also a critical element that influences the direction, speed, and the extent of internationalisation. Entrepreneurs who had access to resourceful networks

managed to enter into new markets, develop customer specific products and marketing campaigns, and gain access to financial means to support their venture development.

Finally, the opportunity development is a co-evolutionary process, where opportunities may be identified or created. However, not all of the opportunities lead to value creation and most of the identified opportunities do not reach even the exploitation stage. Once the opportunities are refined, and eventually exploited as a result of the combinative efforts of the learning, new knowledge and dynamic capabilities of the entrepreneur/team, ideally they must lead to any one or more of the four value innovation activities of the firm. These are, *eliminating* unwanted non-value enhancing processes, procedures, resources or structural rigidities; *reducing* the existing cost structure of the product; *raising* the existing standards of the product or service well above the industry standard; and, finally, *creating* unique value offerings that no one in the industry has offered before. Here is where a firm engages in simultaneous cost leadership and differentiation strategies in international markets that determine the competitive advantage of the firm, the pace, extent, and scope of the internationalisation process.

Figure 7.4 depicts the concepts and their relationship to the three main themes: intention, opportunity development, and value creation. This model integrates multiple theoretical perspectives to understand the international process of entrepreneurial firms from an opportunity development perspective.

Figure 7.4 The entrepreneurial internationalisation process (EIP)



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Ent*: Entrepreneurial; IODE*: International Opportunity Development and Exploitation

The model depicted in Figure 7.4 illustrates the entrepreneurial internationalisation process that is applicable to both domestic and local contexts and firms. This study highlighted some specific elements in the main constructs that provided insights into internationalisation of ventures. These factors influenced international opportunity identification. The traditional firms or domestic firms often struggle to find international opportunities mainly because they lack these elements. In effect, these are invisible intangibles that made the prime difference in the internationalisation process. This finding is summarised in Table 7.2 below.

Table 7.2 Specific factors influencing internationalisation decisions

Construct	Effect on internationalisation
Intention to internationalise	Strong intention to internationalise propels firms to explore overseas markets.
Prior knowledge about international markets, problems, ways to serve them	Entrepreneurs who had previous experience in working/training/travelling in overseas markets, working for/with MNCs had a higher propensity to explore international market opportunities
International social capital	Entrepreneurs who have developed overseas business and personal networks have a higher propensity to engage in international activities.
International marketing knowledge	Entrepreneurs with international marketing knowledge have a higher propensity to explore international market opportunities.
International networking knowledge	Entrepreneurs who can build strong long-term relationships with overseas network partners have a higher propensity to explore international market opportunities.

7.7.1 Implications of the developed model

Numerous internationalisation process models have been suggested by scholars since Johanson and Vahlne's seminal work appeared in 1977. The Uppsala model and other similar models of that time (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) focused on the stages of internationalisation without specifically looking at why it happens. These models did not explain the inconsistent patterns exhibited by internationalising firms, and did not consider the strategic behaviour of decision makers, thus undermining the dynamic nature of the whole process. The entrepreneurial internationalisation process (EIP) model developed in this study addresses these deficiencies and argues that the internationalisation path is dependent primarily on the nature of exploitable opportunities and the value innovation ability of the firm.

Johanson and Vahlne (2009) highlighted the importance of discussing the opportunities in the internationalisation process. They revised the earlier model to include opportunity recognition as a subset of knowledge (needs, capabilities, and strategies), and introduced learning, commitment, and network position as new variables. The model assumes that learning, trust, and commitment building would lead to stronger network position and increased knowledge. This model seems to capture some of the elements (opportunity development, learning, and trust) that their earlier model lacked. However, it still falls short of explaining how these constructs interrelate and influence each other; for example, it does not explain the process of how opportunities are developed. They argue that internationalisation depends on a firm's network relationships and networks. It is rather simplistic to categorise knowledge as needs, capabilities, and strategies, since these concepts are mutually exclusive. They exhibit different interrelationships and outcome

possibilities. Furthermore, the revised Uppsala model does not specifically focus on the changes in the firm's resource base.

The EIP model accepts the value of learning and knowledge, but differs from their view and provides a stronger justification as to why firms internationalise in the first place, and how opportunities are developed through a gradual process of intending, seeing, understanding, and engaging in value-creating activities. As such, the model emphasises that internationalisation is the outcome of three critical roles played by entrepreneurial intentions, opportunity development, and value creation capability in international markets.

The case examples provide support for stage model theorisation and found that a gradual stage-wise approach applied to only two local market oriented biscuit manufacturing companies. All the tea companies and the water-bottling manufacturer started as born global firms. This varying level of internationalisation is not adequately explained by the Uppsala model. The tea companies internationalised not only because they had the knowledge, trust, or the commitment to do so; nor had they the network connections. But most importantly, the entrepreneurs had the intention to internationalise, had a product proposition that enabled them to create more value in the international market, and the opportunity was created as a result of a complex and dynamic integration of entrepreneurial, firm, and network level resources.

Another interesting factor is that the level of internationalisation may not be ascertained by simply looking at the development stages of the internationalisation process, such as from no exports to overseas manufacturing. As per the case examples, tea companies can develop only up to setting up sales offices and distribution centres overseas. They cannot set up manufacturing centres in overseas

markets since the main competitive advantage was in the source of raw material itself i.e., the taste of Ceylon tea (which is a result of Sri Lanka's climate, soil, know-how, and processes). The EIP model addresses this issue by focusing on the value creation construct. It argues a firm will only grow to a point that it can generate significant value proposition for its market; beyond that, any form of internationalisation or growth brings only diminishing returns.

The network perspective has provided much insight into rapid internationalisation (Kiss & Danis, 2010) as sources of resource, a mode changer, and a credibility builder for firms (Coviello, 2006; Coviello & Cox, 2006; Ellis, 2000). However, the network approach has been criticised for its lack of predictive power, as network resources are seen as ways to overcome resource deficiencies of a firm rather than being the actual drivers of internationalisation (Loane & Bell, 2006). This perspective focuses primarily on the resources embedded in networks and how they influence internationalisation.

However, what is more important is not how much resources entrepreneurs have access to, but how they use these resources to create competitive advantage in international markets and how their usage determines the internationalisation path of an entrepreneurial firm. The critical role played by the networks is captured through the SC construct in the EIP model and it is considered as a moderator variable that influences the value innovation process of the firm. As such, network, relationships, and resources that are embedded in them, are considered as another source of where opportunities are identified and developed.

IE researchers have developed theoretical models to understand the new venture internationalisation process, mainly looking at factors such as: the founder, organisation, and environment as influencing factors in BG propensity (Madsen &

Servais, 1997); traditional, BG and born-again global pathways based on external and internal environmental and managerial characteristics (Bell, McNaughton, Young, & Crick, 2003); antecedents (entrepreneur, firm, fingerprint patterns, and profiles) of international performance (Jones & Coviello, 2005); speed (Oviatt & McDougall, 2005b); survival and growth (Sapienza, et al., 2006); and, BG nature and performance (Rialp & Rialp, 2007).

Collectively, these models have contributed immensely to the development of IE research by expanding its scope, breadth, and complexity. However, individually, none of the models captured the dynamics of internationalisation from an integrative and a holistic perspective. With the exception of Oviatt and McDougall (2005b), none of the models considered entrepreneurial opportunity as the primary initiating factor of the internationalisation process. The revised model goes a step further and suggests that it is entrepreneurial intentions that provide impetus to the emergence of the opportunity development process that leads to firms' internationalisation. It also highlights what other critical elements are involved in the internationalisation process.

In summary, the EIP model acknowledges that the entrepreneurial internationalisation process is a path-dependent and gradual process that consists of a multitude of coevolving factors. This model supports any form of internationalisation path, such as BG, traditional, or born-again global since it focuses on why firms internationalise (i.e., opportunity and value creation propensity), rather than on what types of firm internationalise, or how firms internationalise.

7.8 Summary

This chapter discussed the results of the empirical findings. It identified five themes related to the entrepreneurial internationalisation process of the firm. The findings advance the existing theoretical underpinning of entrepreneurial firm internationalisation, in particular the model developed by Jones and Coviello (2005).

The refined model epitomises the complex and dynamic nature of the process and identifies the key aspects related to entrepreneurial, firm, and network factors. It suggests that opportunities are developed consciously through a sequential process initiated by entrepreneurial intentions. Using four strategic drivers, the model explains: the motive of opportunity identification (entrepreneurial intentions); the means of opportunity identification and exploitation (entrepreneurial drivers, insight, firm and network resources); and, finally, the importance of opportunity itself and the value of identified opportunity.

By using an entrepreneurial lens, this study addressed many deficiencies in the previous theoretical conceptualisation and models in IE research. First, it highlighted that BG firms do have a long entrepreneurial prehistory that provides vital impetus to the inception of the firm. Second, both traditional and BG firms can be studied under the refinement model. Third, the model suggests that the pace and scope of the firm's internationalisation is governed by the nature of opportunity and the value creation ability of the firm.

The next chapter concludes the study by summarising the main findings and discussing the research's limitations, implications, and future directions.

Chapter 8

Conclusion

8.1 Introduction

This study provided key insights into the internationalisation process of Sri Lankan firms. First, the research context provided unique perspectives on how firms in an agriculture-based primary industry in a developing country internationalise. To the author's knowledge this is the first study that has looked at entrepreneurial internationalisation from a developing country perspective, using an agriculture-based industry standpoint. This research fills in a much needed gap in the IE literature (Peiris, et al., 2012). Second, to the researcher's knowledge this is the first study to use such a research context to understand the process from an entrepreneurial perspective. Third, it extended the existing opportunity development models (Ardichvili, et al., 2003; Corbett, 2005; Hansen, Lumpkin, & Hills, 2011; Lumpkin, et al., 2004) in entrepreneurship literature to arrive at a broader conceptual framework that is applicable to the entire lifecycle of the firm irrespective of its contextual nature. This chapter provides a summary of previous chapters and outlines the key findings under four headings: motive, means, opportunity, and value creation. It also discusses the theoretical and practical implications, limitations, and future directions for this research area.

8.2 Summary of the study

Chapter one highlighted the gaps in IE theory by indicating that there has been little effort taken to extend our understanding about the internationalisation process from an entrepreneurial perspective. The reasons for conducting this study were described and explained. It positioned the study in a wider research context and provided a brief rationale for developing a robust conceptual model to explain the entrepreneurial internationalisation process. The methodology and research approach employed was briefly described and explained. Finally, it outlined the intended theoretical contributions and structure of the thesis.

Chapter two critically reviewed the theories and identified the academic influences that developed IE theory to its current state. A review of the strategic management and network literature identified the importance of unique resources and value innovation in creating sustainable competitive advantage for the firm. The entrepreneurship literature provided insights into how unique resources come into existence through entrepreneurial actions. This chapter also developed eight propositions based on the literature review findings. The conceptual model suggested in this section highlighted the nexus of opportunity development and value innovation.

Chapter three developed the research methodology that is appropriate to refine and operationalise the propositions and the model constructs developed in the Chapter 2. This chapter justified and provided the rationale for selecting qualitative research methodology to answer the research questions. It also looked at the research design, data sources, research quality considerations, and data analysis methods and techniques. The use of inductive and deductive approaches were rationalised on the

basis that a deeper understanding of the research subject would be acquired by utilising these two approaches.

Chapter four provided an overview of the research context, highlighting the significance of the Sri Lanka tea sector. This chapter outlined briefly the history of tea, its entry into Sri Lanka, and its role in changing the Sri Lankan economic landscape for over a century. It also looked at the world tea trade and its major players. Lastly, the chapter highlighted the unique value chain of the tea industry and recent government policy changes that encouraged private sector investors and also exporters.

Chapter five provided case descriptions to deepen the understanding of the entrepreneurial, network firm and the environmental level influences on its pre-venture formation stage, initial opportunity identification, types of value innovation, and other factors that influenced the growth and survival of the firm. Within case findings showed the reasons behind firms choosing gradual and born global paths to internationalisation.

Chapter six expanded on the theoretical constructs developed in Chapter 2. Cross case findings emphasised the influence of entrepreneurial intentions have on strategic outcomes of the firm. It further revealed that entrepreneurial capacities (prior knowledge, creativity, self-efficacy and perseverance) have a major effect on entrepreneurial knowledge development and decision making. The findings also identified the moderating impact of the firm's access to resources and social capital on the knowledge development and decision making. Finally it provided insights into value creation strategies of firms which led to competitive advantage of the firms.

Chapter seven identified five themes related to the entrepreneurial internationalisation process of the firm and introduced a theoretical model. The refined model depicted the complex and dynamic nature of the internationalisation process and identified key aspects related to entrepreneurial, firm, and network factors. It suggested that opportunities are developed consciously through a sequential process initiated by four strategic drivers: the *motive* of opportunity identification (entrepreneurial intentions); the *means* of opportunity identification and exploitation (entrepreneurial drivers, insight, firm and network resources); and, finally, the importance of *opportunity* itself and the *value* of identified opportunity.

8.3 Conclusions about the research objective

The primary objective of this study was to identify the factors that influence the internationalisation path and sustainability of the firm. Hence, to enhance understanding of the process in its entirety, developing a general model of entrepreneurial internationalisation became the key motive of this study. More specifically, the study focused on two key areas: first, the antecedents of international opportunity development and exploitation and second how firms exploited opportunities to create value in the local and international markets to sustain and grow their ventures along different international trajectories. The study drew insights primarily from entrepreneurship theory to ground the main conceptualisation of an opportunity identification and exploitation framework. It also integrated the theoretical perspectives of IB, RBT, KBV, DC, and SC theories to arrive at a broader yet refined synthesis of the constructs and their interrelations, in order to comprehend the entrepreneurial internationalisation process using an opportunity-value innovation nexus. So far, this approach is novel to IE literature.

In order to achieve and answer its primary and secondary objectives and questions, this study was grounded on the qualitative research paradigm. The exploratory nature of the questions and limited knowledge about the research context demanded a methodology that uses a broader perspective at the beginning and progressively narrows down as the research progress. As such, an embedded case study methodology was used to develop an in-depth and as complete an understanding as possible.

This thesis offers several major conclusions which contribute to our understanding of international entrepreneurship and entrepreneurship theory. The next section provides a summary of key findings using a common analogy that is found in criminal proceedings: motives, means, and opportunity. Finally, it also highlights implications of the opportunity and value creation nexus.

8.4 Findings of the research

8.4.1 Motive

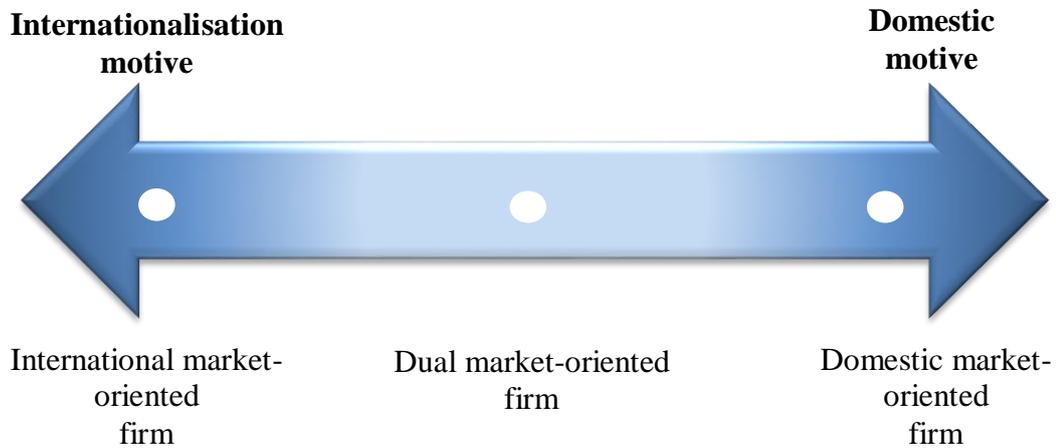
Ceylon tea was Sri Lanka's main export earner for close to a century until the garment industry overtook it in the late 1980s. Even today it is the nation's third largest export earner. It was an industry built and controlled by the British until the late 1940s. Along with the nationalisation of tea plantations in the 1950s uncertainties about markets and the future of the trade were created, and these took a toll on British-owned firms. Some started selling their shares to locals and moved their operations to London to focus on the value addition aspect of the tea trade. MNCs which were left in the country operated primarily with a local staff. The local staff were trained and groomed by these MNCs but the careers of these locals had an upper limit in the MNC hierarchy. These managers who were experts in the

technicalities of the trade, who knew the market, and who had access to local resources were motivated to 'go it alone'. This shift marked the beginning of the second phase of the Sri Lankan tea industry and internationalisation of Sri Lankan firms.

In contrast to tea companies, the two traditional companies had different motives. They wanted to grow big in the local market, which they ultimately achieved, and entered the international markets gradually. The beverage company had motives to go international from the beginning and it experienced the whole process differently after facing setbacks but firmly setting its eyes on the international horizon.

This study provides a new starting point from which to view the international process, in contrast to that currently discussed in the literature. Internationalisation is an intentional process. It precedes resource seeking, advantages seeking, or even opportunity seeking behaviour of individuals. It exists within the sphere of undefined opportunities. According to Ardichvili et al., (2003), it is an opportunity where value sought (market need) is identified but value creation capability is undefined. The tea, bakery, and beverage companies lie in different places on the internationalisation motive continuum. The tea companies identified the market need but they started only with this knowledge, without much access to financial, human, or physical resources. The bakery industry firms hardly knew anything of international market needs, thus their resources were never optimised to create value in international markets. Hence, these two types of firms lie at two extreme ends of the continuum and the beverage firm lies somewhere in the middle. This placement is illustrated in Figure 8.1.

Figure 8.1 Internationalisation vs. domestic motive



Entrepreneurial intention (motive) plays a key role in initiating the opportunity identification and exploitation process. However, of itself, it is insufficient to develop clearly defined opportunities that are exploitable to create value. This exploitation requires individual, firm, and network level tangible and intangible resources or means.

8.4.2 Means

Entrepreneurs are neither born nor made. They are both born and made by factors that are indigenous and exogenous to the individual. This study introduces two indigenous factors that function within the cognitive and experiential boundaries of the individual. It also positions two exogenous factors: firm and network resources within the opportunity identification and exploitation process.

This approach is novel to IE research. It gives prominence to entrepreneurial effort, confidence, knowledge, and decision making. This level of integration has not been

discussed in the entrepreneurship literature in relation to the opportunity identification process. The precise entrepreneurial internationalisation model introduced by Jones and Coviello (2005) focuses on entrepreneurs' innovativeness, risk tolerance, and managerial competence. They consider these entrepreneurial factors as influencing the firm structure and, in turn, firm performance, as such, positioning the entrepreneur as one of the key antecedents of an internationalisation process. This study deviates from this frame of reference and considers the entrepreneur and/or entrepreneurial team as the backbone of the entire process. Firms and networks are considered as repositories of resources that lie on the periphery and are available on demand for new resource combinations. This is a process driven by intangibles such as experiences, creativity, confidence, motivation, thinking, and knowledge.

In order to develop a contextual model that can be tested empirically, this study introduced two entrepreneurially centred constructs: Entrepreneurial drivers, and entrepreneurial insight. Entrepreneurial drivers consist of five dimensions: prior knowledge, creativity, self-efficacy, perseverance, and passion. In general, these five drivers affected the opportunity identification process of all the firms. However, prior knowledge had a significant influence in the identification of international opportunities. This study also highlighted the interdependent and coevolving nature of these five drivers. The entrepreneurial drivers elucidate the reasons behind a propensity to see novel ideas/combinations, confidence in facing challenges, tenacious pursuit of ideas, and the level of engagement.

The entrepreneurial insight construct is a core element of the EIP model. Whilst entrepreneurial intention and drivers provide the impetus to develop the insight, the actual role of opportunity identification and exploitation happens within this

element. It highlights three important functions happening within the entrepreneurial individual. An entrepreneur's reflective thinking ability creates higher order learning, in turn developing the technical, conceptual, and networking knowledge of the entrepreneur. Reflective thinking facilitates information assimilation and use. In turn, the newly developed knowledge leads to new opportunity identification. The process does not stop there. This knowledge is again used to exploit entrepreneurial ideas (which now present themselves as clearly defined opportunities) by taking decisive market-oriented decisions. This is a significant finding in this study. It highlights the valuable role played by knowledge, identifying the types of knowledge, and how this knowledge is used effectively to create value. Therefore, the internationalisation process is a knowledge-driven one, using not only prior knowledge about markets as identified in the IE and entrepreneurship literature, but all three types of existing knowledge: technical, conceptual, and networking. It signifies that opportunities are identified not because entrepreneurs are alert, but because they are knowledgeable. You see only what you know. Without knowledge, there is no opportunity; without opportunity, there is no entrepreneurship.

8.4.3 Opportunity

Opportunity is what made firms internationalise or stay domestic. Opportunities are developed over time, with conscious effort by entrepreneurs. Even if opportunities are discovered through serendipitous encounters, without knowledge and dynamic capabilities to exploit them, they fail to germinate and create value. Hence, it is a complex process, a process initiated by intentions. Apart from three entrepreneurial level factors, this study highlighted the influence of two exogenous factors emerging from the firm and network level. The study emphasised that social capital

or network resources are influential factors in international opportunity identification but only when used with due diligence. SC can be an asset and, at the same time, it can act as a constraint to the internationalisation process. This study treats firm resources in a similar manner.

By reframing an opportunity as the central premise, this research introduces a broader framework to define the boundaries of the entrepreneurial internationalisation process. For example, prior knowledge leads only to undefined opportunities, i.e., there were many managers who worked and trained under MNCs; they also knew the existence of opportunities in the international markets but very few actually took the risk and created their own ventures, and even less started branding their products. This fact indicates the dynamic and gradual nature of the opportunity development process. It requires a multitude of factors including the environmental influence. It also indicated that dynamic entrepreneurs can make a static industry such as tea into a dynamic one, because they infuse dynamism into the industry by creating new opportunities, not only for themselves but for others as well. This research integrated these factors to provide a broad conceptualisation to understand why firms internationalise in the first place. When we consider opportunity as a central premise, we get the answer as to why BGs are actually acting in that way, and why psychic distance becomes irrelevant when considering the international markets. It also explains why traditional firms take an incremental approach to internationalisation.

This study extends its scope beyond the motive, means, and opportunity framework to include the value creation aspect as well. The effectiveness of the exploited opportunity must be understood in relation to the nature of the value created. As

such, this study provides insight into the final aspect of the opportunity development process.

8.4.4 The nexus of opportunity and value creation

The existing IE studies pay very little attention to the value creation aspect of the firm; rather it is taken for granted. However, this study found that the value creation aspect plays a critical role in the firm's internationalisation process. First, the ability of the entrepreneurs to identify opportunities to drop their firms' cost structure vis-à-vis competitors by eliminating the factors that the industry has taken for granted made their firms more efficient. Second, by identifying opportunities to raise the standards of the firm's product offerings well above the industry norms and by creating unique product and service offerings, they managed to shift the strategic pricing and created new demand.

Integration of the value creation aspect into the opportunity identification and internationalisation processes is crucial to develop a complete understanding about how opportunities are exploited. The existing IE literature focuses on linking opportunity with firm performance. This linkage creates a gap in terms of how knowledge and dynamic capabilities contribute to opportunity exploitation which leads to higher performance. By using value creation as a mediator between opportunity and performance, we are able to create a link between knowledge, dynamic capabilities, and firm performance. This link helps us to clearly identify the value of a particular opportunity; it also provides a useful tool to differentiate and measure different firms in terms of value rather than firm performance. Take, for example, the difference between C01, C03 and C02. They all exhibit high growth, sales turnover, and also profitability, but when you consider the value creation aspect, C02 is way below the other two firms. C02 is susceptible to

customer changes, depends heavily on bulk tea exports and few customers, and its brand has no significant value generating capability. This firm does not exhibit higher levels of value creation ability in any of the four value creation strategies. Firm performance shows only a surface level picture of what it has achieved. It does not show how they achieved it; hence, it provides little insight into how firms grow, sustain, or develop competitive advantage. The concept of value creation is also important in comparing domestic and international ventures. There is a clear gap between these two types of firms in terms of value creation ability in the international markets. For example, there is even a clear difference between the two traditional firms C09 and C10 when it comes to international value creation.

In summary, this study broadened the scope of IE research and it also highlighted some key elements that can have significant implications for entrepreneurship research. The three entrepreneurial concepts: entrepreneurial intention, drivers, and insight integrate the elements key entrepreneurial behaviour which previously have been studied in isolation. The next section looks at this contribution to internationalisation, IE, entrepreneurship, and strategic management research.

8.5 Implications of the Research

The findings of this study broadly contribute to the advancement of existing theoretical underpinnings of the internationalisation, IE, and entrepreneurship literature.

8.5.1 Contribution to internationalisation and IE research

In broad terms, this study contributes to the internationalisation and IE literature in two ways. First, it adds to the existing knowledge drawn from the internationalisation literature by bringing in a developing country context using a

traditional but highly internationalised industry. Secondly, it uses an industry which makes it possible to isolate entrepreneurial dynamics. For example, every company that exports tea from Sri Lanka has to buy its raw material (tea) from the Colombo tea auction. This means that all the companies have the same access to raw materials; prices are transparent, and quality is known to everybody. Therefore, in terms of the raw material supply, there is hardly any competitive advantage for the individual firms. This phenomenon enables the researcher to focus on entrepreneurial capabilities and knowledge more specifically in order to draw unique insights about how the companies go through this process of value addition. Thirdly, this study develops a dynamic entrepreneur-led model that explains the factors and processes that affect the firm's internationalisation process.

This study highlights how entrepreneurs in developing countries internationalise their firms with limited resources and technology to compete with first world multinationals in their native markets. This study provides some interesting insights in this regard. It illustrates how knowledge is built over time and how it is transferred. In this case the British firms gradually built their knowledge over many decades; they built the infrastructure and the markets. Later, this knowledge-based industry was transferred to the locals as a result of political, market, and economic pressures. First, it was this knowledge about markets and ways to serve them that made the difference in local entrepreneurs. Second, for the local managers, there was nowhere to go up the MNE corporate ladder. Thirdly, the overseas networks built over time by these local managers gave the final push to set up their own ventures. This study is a good example to understand how indigenous MNEs are created.

Another important element is the concept of psychic distance. The mainstream stage theories argue that firms choose a gradual path of internationalisation by targeting psychically and geographically closer markets. In essence, a company in a developed market will start looking for market opportunities in another developed market. The findings of this study highlight that it is not always the case. Firms select international markets, not because they have similar attributes, but based on their ability to exploit opportunities to create value in those markets. Hence, the concept of psychic distance is knowledge and value dependent. A good example is C07's targeting of Europe as its main market and successfully penetrating it with good branding strategies. C10, a highly successful local company, targeted the Indian market due to its geographical proximity and cultural similarity, but failed miserably in capturing that market.

The IE literature provides some insight into how firms reach global markets from inception, as a result of having knowledge intensive products, and coming from knowledge intensive industries. They succeed because they have a superior value-creating ability. There the focus is directed towards product and technological superiority. To the author's knowledge, only a few studies have looked at how traditional industries capturing international markets (Evers, 2011; Fillis, 2004; McAuley, 1999). This study not only extends the findings of these studies, but also provides a unique perspective by taking an industry that is highly internationalised and that has a strong multinational influence. The study shows how entrepreneurs escape from the grip of these MNCs and what factors are needed to do just that.

The tea industry itself is unique; it has a rich history; it has seen different masters over the years, and tea is the second most consumed drink in the world. Yet, it is still a very simple product. Its simplicity is its strength, because entrepreneurs

capitalise on this simplicity to create complex combinations. Studying how entrepreneurs create unique product combinations and find novel ways to market them gives direct insights into how they create opportunities when others see a just raw material. In terms of IE literature, this study considered an entrepreneur as the key resource of internationalisation. In doing so, it develops a model centred on this concept to introduce a new direction to IE theory.

As the final contribution to IE literature, this study integrated multiple theoretical perspectives to arrive at a general model to understand the dynamic nature of the entrepreneurial internationalisation process. The implications of the model and these four elements are now discussed in greater detail.

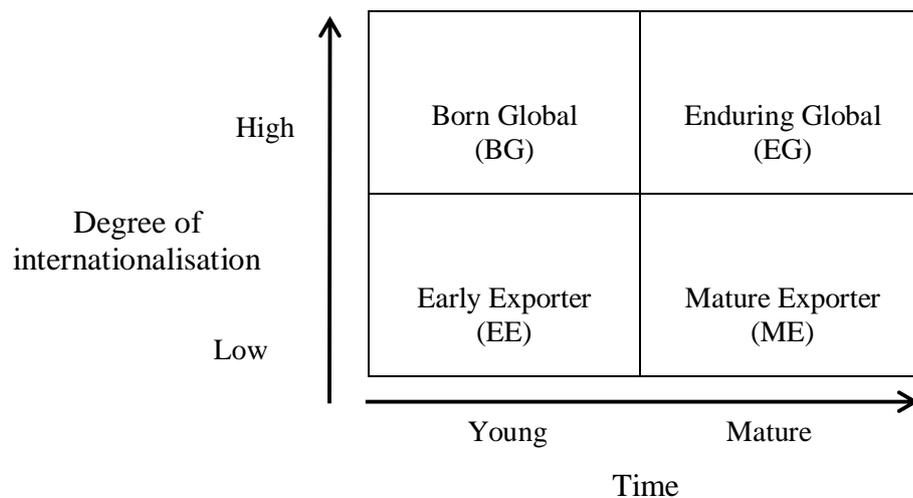
First, the EIP model developed in this thesis highlights the integrative and coevolving nature of the entrepreneur, firm and network specific tangible and intangible resources, and their effect on the international opportunity development process. The existing theoretical models developed in the IE literature have so far not looked at integrating all these factors.

Second, the model enables scholars to operationalise the constructs identified in the EIP model, since its subcategories highlight specific characteristics and the nature of their relationship to the main constructs. For example, at the entrepreneurial level there are three primary stages. These consist of: entrepreneurial intention (captures the origin point of the process); entrepreneurial drivers such as prior knowledge, creativity, self-efficacy perseverance, and passion (these identify the experiential and cognitive drivers that affect opportunity identification and exploitation); finally, the entrepreneurial insight (captures the entrepreneurial learning, knowledge development, and dynamic capabilities). At the firm level, the moderating effect of access to resources is captured by focusing on financial,

human, and physical capital, and at the network level, the entrepreneur's social capital provides insights into the nature, type, and relevance of network resources. Finally, the model illustrates the factors and the process that influence value creation activities of the firm.

Third, the EIP model complements and integrates the theorisations of both the stage model and born global conceptualisation. As such, it explains why some firms choose the path depicted by the Uppsala model, and some why firms enter international markets from inception. The key determinants identified in the model shed light on this aspect by demonstrating the nature of entrepreneurial intentions, the nature of entrepreneurial opportunities, and the value creation capability of the firm determining the possible international trajectories of the firm. This extends the IE theory to capture young as well as mature firms, and is independent of firm size and type of industry. This broader perspective on the IE domain is depicted in Figure 8.2.

Figure 8.2 Typology of IE ventures



Source: Peiris, Akoorie, and Sinha (2012, p. 302)

8.5.2 Contribution to entrepreneurship literature

This study drew heavily on entrepreneurship literature to develop the conceptual boundaries. This foundation not only added rigour to the theoretical model developed in this study, but also provided interesting new findings that are capable of extending entrepreneurship theory. Primarily, there are three key contributions. First, the study introduced the value of intentions in the opportunity identification process. Second, it integrated previously unconnected but robust constructs capable of predicting entrepreneurial behaviour. Finally, it also introduced a new concept – *entrepreneurial insight* – to shed light on the opportunity development phase.

Even though intentions have been considered as strong predictors of entrepreneurial behaviour, scholars have not integrated this concept into the opportunity identification process. The existing literature focuses on determinants of intentions (Fitzsimmons & Douglas, 2011; Krueger, et al., 2000; Lee, Wong, Foo, & Leung, 2011) rather than looking at the effect of intentions on the opportunity development process. The work of Dimov (2007) sheds some light on this matter by highlighting the predictors of specific intentions and their ability to function as the driving force of the opportunity development process, given that a more general entrepreneurial intention is already present. The present study looks at how a simple intention that sparks as a result of first time experience is developed into a fully developed opportunity. It leads to the creation of ventures and eventually leads to building an empire out of it. It also reveals how entrepreneurial drivers and entrepreneurial insight play key enabling roles in the formation of opportunity intentions through the feedback mechanism identified in the conceptual model.

Second, the entrepreneurial drivers developed in this study integrate some robust constructs from the entrepreneurship literature to explain what drives entrepreneurs

to identify new opportunities. As such, it looks into entrepreneurs' previous knowledge and experiences; how they create novel combinations using creative thinking; continuity of effort; and, finally their passion to truly engage with what they do. Instead of focusing on these drivers individually, which the existing literature has done to a greater extent, integration of these five concepts: prior knowledge, creativity, self-efficacy, perseverance, and passion provide a better understanding about entrepreneurial behaviour which leads to opportunity development. In a more specific way, the concept of entrepreneurial orientation (EO), which has been considered as a central concept of entrepreneurship and strategy research (Slevin & Terjesen, 2011), focuses on three key firm level factors: innovativeness, risk taking, and pro-activeness. It is important to note that EO should not be used as an individual level construct (Covin & Slevin, 1991). Therefore, using factors that look at individual dimensions of entrepreneurial behaviour such as the five entrepreneurial drivers would provide a better explanation for the formation of EO factors, because it looks at higher order measurements of innovative, proactive, and risk taking behaviour. Furthermore, the opportunity development process is driven by entrepreneurial actors. As such, assessing the EO of individual actors is not an ideal concept to be incorporated into the opportunity development process, which, however, most of the IE research does and considers as the norm.

Finally, this study introduced a new concept – *entrepreneurial insight* – a concept that focuses on knowledge building and knowledge use. Opportunities are seen through the perceptions and beliefs of individuals. In essence, entrepreneurial experience gets converted to knowledge through reflective thinking. For example, when C01's founder was first exposed to branding and how value addition worked in the tea industry, he immediately identified a market gap, but it took many decades

for him to actually come out with his own brands. What transpires from this event is that an idea is generated as a result of experience and this idea gets developed gradually through many mind iterations. What we have in this example is actually reflective thinking – entrepreneurs assessing what they know, what they need to know, and finding ways to bridge this gap. Hence, thinking leads to developing knowledge that is needed to bridge knowledge gaps. This study identified three knowledge types: technical; conceptual, and networking as key elements in how entrepreneurs identify new opportunities. Again, this knowledge is put in use by the entrepreneurs by taking timely market-oriented decisions. This aspect of opportunity development is still emerging in the entrepreneurship literature. This study highlights that it is not only prior knowledge that leads to opportunity identification, but how entrepreneurs interpret, integrate, and use their knowledge that really matters in the opportunity development process.

8.6 Implications for practice

Firms in today's competitive environment cannot afford to focus only on domestic opportunities. The limited growth and profit opportunities in the domestic market mean firms must explore opportunities beyond their geographic borders. However, developing international business is a complex process, which often involves being faced with greater uncertainties as a result of the liability of foreignness and lack of knowledge.

First, this study suggests that internationalisation is a path-dependent process initiated by entrepreneurial intentions and driven by experiential and cognitive factors and dependent on entrepreneurial insight. Therefore, entrepreneurs, or an entrepreneurial team with clear directions and long-term goals, should be able to

steer their firms towards predetermined growth paths with persistence, even with a limited tangible resource base, because intangible factors like individual motive, effort, and knowledge bridge the resource gaps faced by the internationalising firms.

Second, it highlights the importance of questioning the status quo. Entrepreneurs use past experiences and knowledge to think about the future and work towards building it. Hence, knowledge plays a critical role in this unwavering effort to reach their goals. Therefore, entrepreneurs must give more weight to acquiring knowledge, in particular, international marketing and networking knowledge along with technical know-how, in order to see more opportunities. Also, it is equally important to act decisively and take timely decisions to exploit identified opportunities. It must be noted, quick decisions making does not mean acting hastily, but acting mindfully and swiftly with confidence using available knowledge bases.

Third, it was found that entrepreneurs have high confidence levels about their capabilities. However, this self-efficacy level is developed gradually over time with experience, training, and commitment to learning. Creativity is also developed over time as a result of acquired expertise, motivation, and thinking abilities. Hence, entrepreneurs must endeavour to learn and develop their reflective and critical thinking capabilities and knowledge continuously in order to see new opportunities and exploit them through creative combinations.

Fourth, entrepreneurial companies start small with a scant resource base. In such situations, entrepreneurs have three options to expand their resources bases. First, entrepreneurs must understand the limitations and capabilities of the existing resources in order to effectively use the existing resources through bricolage.

Second, they must reinvest substantial proportions of their income back into the firm to develop its resource bases. Third, they must use and manage network relationships effectively to exploit the resource embedded in existing and potential network partners.

Fifth, it must be emphasised that the entrepreneur's social capital has profound effects on the venture creation, survival, and growth. Hence, entrepreneurs must make conscious efforts to develop these relationships by building strong relational-based trust and reciprocity. However, it must be noted that it is not the number of network connections or the type (weak or strong) of connection that matters most, but the resourcefulness of the network partners.

Sixth, and perhaps the most influential of all is, the ability of the firm to continuously engage in value creation activities by simultaneously focusing on cost leadership and differentiation strategies. However, operationalising such strategic options needs passionate individuals who are committed to pursuing their goals, and quick decision-making ability. The case entrepreneurs who executed such strategies were passionately involved in every aspect of the business. They were experts in their fields, had sound market, operational and social knowledge and capabilities. Most of all they were quick decision makers. They relied on the information they had access to and depended on their heuristics to quickly take decisions and follow through with actions. Unlike the corporate style hierarchical organisational structures, these entrepreneurial firms have flat decision making structures where most of the decision making is centralised and every piece of information flows through a centralised channel. This flow gives the entrepreneur an overall picture about what is happening, in and outside of the organisation in real time. Furthermore, entrepreneurial decision making does not happen in isolation.

These entrepreneurs encouraged and valued the views and suggestions made by others, even though, the final decision may come from the entrepreneur him/herself.

Seventh, the EIP model developed in the study can be used as a self-assessment tool to determine the internal strengths and weaknesses of the individual and the firm level factors. This model is applicable to SMEs as well as large-scale companies in any industry; therefore, with proper caution, it can be applied to ascertain the strategic competitiveness of firms in international and domestic markets.

8.7 Limitations of the study

This study focused primarily on theory building, rather than theory testing. The researcher endeavoured to achieve the desired level of reliability and validity of the findings by developing in-depth case studies, using three different industries to improve the quality of the findings and using triangulation to improve the accuracy of the data.

However, this research is not without limitations. First, the case firms were selected using the purposive sampling method to include firms in agriculture-based industries in a developing country. Even though this study originated from a developing country, there is high level of universal application of the concepts. For example, the tea industry by its nature is an international industry; its competition comes from multinational firms, and it is sensitive to cultural, economic, and political changes in the world markets. The concepts developed in this study have been applied successfully in different research contexts, hence making them context independent. An opportunity is an opportunity as long as it creates value when exploited; this happens irrespective of the country where it is coming from, and the industry which it belongs to. Even though this is the case, the findings may have

context-specific factors such as a high level of government intervention in the industry which may affect the generalisability of the findings.

Second, due to the entrepreneurial focus and highly influential role played by the entrepreneurial actors, the entrepreneur/entrepreneurial team became the focal point of data collection. This highly individual-centric focus may pose challenges to understanding how intangible resources are absorbed in the wider organisational context. A further expansion of data sources to include boundary spanning individuals, and network partners such as customers and suppliers would have enriched the current findings.

Finally, the cases relied on self-reported information of key stakeholders. This may have contributed to memory recall issues, since some firm histories go back over three decades. An effort was made to limit the respondent recall bias by triangulation of archival data and published material in printed and electronic media to cross-examine the interview data and validate the findings for their accuracy.

8.8 Future research directions

This study developed new constructs to identify the opportunity development process comprehensively. The findings extended the existing theoretical focus of IE studies to accommodate mature firms and non-high-tech firms. It also identified the critical roles played by individual, firm, and network level factors in determining the international path of a firm.

Hence, future studies can further refine the model constructs to empirically validate the findings across multiple research contexts using quantitative methods. This approach will enable IE and entrepreneurship researchers to develop a robust

integrative model explaining the entrepreneurial internationalisation and opportunity development processes.

This research used cross-sectional data. However, the model developed in this study is a path dependent, time-based one. Therefore, it is capable of revealing deeper insights into entrepreneurial internationalisation, if researchers could collect longitudinal data. This additional research will enhance our understanding about how each of the factors develops and they influence each other over time.

Another, interesting possibility is to extend data collection into managerial teams and boundary spanning individuals. This dataset would provide information pertaining to how entrepreneurs transmit their learning and knowledge to their managerial teams, and shed light on the most effective methods they use and how they sustain this knowledge transfer over the years. Out of the 11 case firms, 8 were family firms. It is valuable to understand how family firms transfer their knowledge into their next generation. This study found that after the second generation, there is a gradual decline of the former splendour developed by the founder. Future studies can find out why this happens, using the same variables identified in the EIP model.

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Appendix A

Case Study Protocol and Interview Guide

A research study on understanding entrepreneurial dynamics in internationalizing firms in Sri Lanka

1.2. Case Selection Objective

- Primary Objective: To identify ideal-typical cases that represents the empirical core of the conceptual model in the tea industry.
- Secondary objective: To identify additional atypical cases representing agriculture based industry to get reflective views of the ideal-typical cases.

1.3. Selection Criteria

- Firm size- Large firms with employees over 150 (make exceptions to include medium size firms with employees >50, if the firm has won awards for export performance).
- Firm age – Mature firms with over 6 years into operation, over 70 per cent FSTS
- Internationalization – Primary: Internationalised firms from inception
Secondary: Atypical cases representing traditional firms and re-internationalised firms.
- Specific actions: Target firms/individuals that have won export awards, entrepreneur of the year award, innovation awards etc.
- Target person: Owner/ Founder/Chief executive/Managing Director, Founding team/ Senior export managers.

1.5 Outline of Question Areas for Interview

For this interview, I would like to understand how entrepreneurs identified international opportunities and factors that contributed to such opportunity identification.

I am also interested in understanding how you exploited the identified opportunities to create unique value propositions in international/domestic markets.

I will be recording this interview, you can stop at any time or tell me not to record any statement if you do not like to include in this research. I will send you the final transcript of this conversation for your approval.

We can start with how you started your career. From time to time to time I will ask questions which are specific to my research objectives.

Interview Guide

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Opportunity identification and exploitation	Thematic Question	Dynamic question
Existence of opportunity	How did you first identify that there is an opportunity for this market/product	
Discovery of opportunity	What influenced this discovery? For example your life experiences	Seek specific examples
	What made you pursue this opportunity	
	How did you search for opportunities, to what extent?	
	To what extent previous experiences contribute to your decision?	
	How did the external environment affect your decision, such as family, culture, industry, economy etc.	Seek specific examples
	When you make a judgement did everyone agree with you?	Seek specific examples
	Do you consider being a specialist in a particular field is more important than being a generalist?	
	Do you think creativity and imagination plays an important role in taking decisions?	
	How often you trust your intuition?	
	What were your opinion about the Political, Economic, Social, Technological	

	environment before you enter this market?	
	Before starting this business please tell me what kind of exposure you got with regard to business management, technology, financing etc.?	
	How strong were your social ties (strong and weak) before you venture into being an entrepreneur, after successful entry and now?	Seek examples
Organizing process	What were the initial constraints you faced when you start this business?	
	How did you overcome them?	Seek examples
	What facilitate you and supported you to start this business? (family, religion, culture, institutions, social ties)	Seek examples
	Do you think negotiating is an important element in gaining advantage?	
Sustainability and learning	Please explain the evolution process of your organization over the years?	Seek examples
	Do you think your organization resembles your abilities, skills and foresight	Seek examples
	How do you transfer your knowledge and the knowledge gained from external and internal sources to organizational functions?	
	Do you think delegation is important in managing this organizing process	
	How did you learn about new markets, technologies, trends etc? And go about exploiting them? (Trade fairs, customers, suppliers, other)	
	Compared to your competitors (local and international) How many new products, process, or markets you developed and why?	
	When investing in new projects will you consider high risk high return projects more favourably than low risk low return ones?	
	What do you think about local and foreign networks? How do you develop them and sustain them?	
	What do you think the main success factor in your organization?	Seek explanation further for individual factors

	Do you think organizations evolve incrementally, reaching one stage at a time?	
Foreign strategy	On what basis you compete in the foreign market? Price, quality, technology?	
	What do you think the most important element in developing your strategy to compete in foreign markets and how do you ensure that you implement it?	Seek examples
	Do you think by investing in advertising and branding in foreign markets gives you a distinct competitive advantage over your competitors?	
Post internationalization	You have managed this organization successfully for many years, what steps have you taken to maintain this momentum in future?	
	What kind of non financial benefits you get by venturing into international markets?	
Self-efficacy	How confident are you about your ability to come up with new ideas, new products,	Give examples
	Designing new advertising campaigns	
	Make contact with and exchange information with others	
	Supervise, recruit and train employees	
	Dealing with crisis	
	Organize and maintain, interpret, financial records	
Perseverance	Before starting this ventures have you experienced setbacks and adversity?	How did you overcome them
	After starting this venture what were the major difficulties you faced? Any Failures?	Do you remember an incident where you test your limits of perseverance
Prior knowledge	How knowledgeable were you about the markets before you start up this business	
	Did you have a clear idea about how to serve your customers (Customer problems)	Before and after the venture
	Did you acquire this knowledge through experience or by training?	
Access to resources	When did you first start your business, did you have	

	sufficient resources at hand (such as funds, raw material, employees, assets)	
Learning	If you consider the Direct experiential learning and learning through observation , do you prefer experiential learning or learning through training and observation	
	When you take decisions, do you engage in extensive research on every aspect or you get a general picture and go ahead with your decision	Give examples please
Knowledge	Do you consider your-self as an expert in the field?	
	How do you rate your knowledge about markets, consumers, general management and environment?	
	Do you think you can judge people accurately?	Why?
	How old are your long standing customers and suppliers?	
	Are you knowledgeable about the types of resources a person, firm or an institution possess	Customer buying power, supplier capacity, Institutional support
Capabilities	Are you capable of using the machinery in your plant and carry out technical tasks in your manufacturing process?	
	How and how fast do you adapt to new market trends and industry changes?	Give examples
	How do you motivate your employees?	
	Do you think first impressions are important?	
	Do you feel comfortable in socialization activities	
Value creation	The most precious resource in the firm	Technology, human, brand, reputation, capital etc.
	The most precious capabilities	Technical expertise, R&D capability, Social adaptability,
	Most unique difficult to imitate or substitute	
	Describe your theory of success	
	Ley lessons to survive and thrive in the international market	

Case company characteristics

Number of employees:	Number of firms:
Less than 10	
10-30	
31-50	
51-100	
100 +	
Ownership structure:	Number of firms:
Sole proprietary	
Family owned	
Private company with outside directors	
Public company	
Years of firm business experience:	Number of firms:
1-5	
6-10	
11-15	
16 +	
Firm international experience:	Number of firms:
Less than 1 year (no experience)	
1-5	
6-10	
11-15	
Firm international intensity:	Number of firms:
% of production sold internationally:	
10-25%	
26-50%	
51-75%	
75-100%	
Firm internationalization speed:	Number of firms:
Year of inception to year of 1 st export	
1-2	
3-4	
5-6	
Firm foreign markets:	Number of firms:
USA	
Europe	
Asia (China)	
South America	
Years of International Experience:	Number of Informants
1-5 years	
6-10 years	
11-15 years	
16+	

Appendix B

Participant Information Sheet

Waikato Management School

Te Raupapa

Title of Study	The Internationalization process of Sri Lankan firms: An International entrepreneurship perspective.
Researcher Details	Indujeeva Peiris, Chalet 35, Orchard Park, Silverdale Road, Hamilton , Phone: 0211 463 725, ip11@students.waikato.ac.nz
Supervisor Details	Chief supervisor: Prof. Michele Akoorie, University of Waikato, Department of Strategy and Human Resource Management. Phone: +64 7 838 466, ext: 8642. Email: mema@mngt.waikato.ac.nz Second supervisor: Dr Paresha Sinha, University of Waikato, Department of Strategy and Human Resource Management. Phone: +64 838 4948. Email: psinha@mngt.waikato.ac.nz
Study Outline	This study seeks to understand the process of internationalization of the firm from a developing country perspective. In pursuit of this understanding the researcher will gather evidence from the Owner/Managing Director of the firm in the tea manufacturing industry using a semi structured in-depth interview. Data gathered will be analysed and the results will form part of a PhD thesis.
What will you have to do and how long will it take?	The researcher will want you to participate in an in-depth interview and will return throughout the analysis to clarify details with you. The in-depth interview should be no longer than one and a half hours. If you give your consent, the interview will be tape recorded. Your permission for the tape recording will be sought when meeting arrangements are being made and at the time the interviews take place.
Sponsorship	This study will, apart from the researcher's personal resources and the support of Waikato University, be completed without sponsorship.

<p>What will happen to the information collected?</p>	<p>The information from the interviews will be used primarily for the PhD thesis and may be used for articles or presentations related to the research. Your interview will be transcribed and you will be able to review the transcript in order to change details you feel were expressed inaccurately or to delete information you do not want to be included in the study. The researcher will also write notes on observations made in your organisation.</p> <p>You can withdraw any information up until the researcher has commenced analysis of the data (February, 2012).</p> <p>Your identity will not be revealed in the research publication and pseudonyms will be used during the transcription process to maintain your privacy at all times. The researcher will also ensure that you cannot be identified through information relating to your personal and business activities such as location, customers, marketing activities.</p> <p>All transcripts that relate directly to the thesis or associated articles will be retained indefinitely but only under absolute confidentiality. Tape recordings of the interviews will be wiped and notes that have not been used directly in the thesis will be destroyed.</p>
<p>If you choose to participate it is your right to:</p>	<ul style="list-style-type: none"> ■ Withdraw from the research at any point before the interview is to be analysed (31st of July 2012) including after the transcripts have been reviewed. ■ Avoid answering any questions you do not want to during the interview or in informal discussion. ■ Ask any questions related to the study during your involvement. ■ Be provided with a summary of the findings at the final stages of the research.

Appendix C

Participant Consent Form

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Internationalization as a strategic entrepreneurial process

I have read the **Information Sheet for Participants** for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study. I understand I can withdraw any information I have provided up until the researcher has commenced analysis on my data. I agree to provide information to the researchers under the conditions of confidentiality set out on the **Participant Information Sheet**.

I agree to participate in this study under the conditions set out in the **Participant Information Sheet** form.

Signed: _____

Name: _____

Date: _____

Contact Information

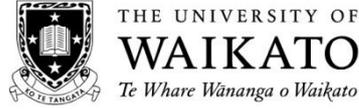
Researcher: Indujeeva Peiris, Chalet 35, Orchard park, Silverdale road, Hamilton. Phone: +64 6 343 7171. Email: ip11@students.waikato.ac.nz.

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Appendix D

Letter to Companies

Waikato Management School
Te Raupapa



Dear Sir,

Doctoral Research Initiative: Internationalization process of Sri Lankan entrepreneurial firms

I would like to invite you to take part in a project which focuses on entrepreneurial strategic posture in developing countries. My name is Indujeeva Peiris and I am a Doctoral Student at The University of Waikato (New Zealand), Management School, Department of Strategy and Human Resource Management.

The part of the project I'm inviting you to participate in, focuses on how and why you recognize, evaluate and exploit opportunities in international markets overtime. This includes the process you went through in establishing your firm, your first international market entry, and subsequent international market developments. This will provide a holistic view of the entire process (individual, firm, networks and environment) which so far overlooked by previous studies. This study is of particular importance to Sri Lanka, since it is one of the first ever studies to consider the international entrepreneurial behaviour and process of Sri Lankan firms.

Participation in this research will therefore involve an In-depth interview with the founder, CEO or managing director. This will approximately take one to one and half hours of your valuable time.

The outcome of this section of the research and summary of outcome will be a fully documented case study of the internationalization process of the firm, which may itself be a valuable tool for internal learning of your organisation. The findings of the analysis will be available to you on completion of the project (December 2013).

I would prefer to tape the interview but this will only be done with your consent. The tape can be turned off at any time or you can withdraw information. All information provided in interview is confidential and neither the name of your company nor those of company representatives will be disclosed. A transcript of the interview will be sent to you so that you verify the interview material and/or amend if appropriate.

As your views and perspectives are of great value, I hope you will give favourable consideration to participate in this research. I will contact you within the next few days to discuss your potential participation in this research project. I can be contacted on 077 3161979, email: ip11@students.waikato.ac.nz.

Thanking you,

Yours sincerely,

.....

Indujeeva K. Peiris

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Appendix E

Entrepreneurial creativity

Case	Reference
C01	<p>“I thought about Single Region teas, which I worked on for about five years, when a lady once gave me a little booklet about tea and wine. It mentioned the similarities between wine and tea growing. When I read that, I thought to myself: “Gosh, this is true, because wine, cultivation of wine and tea are similar - soil, elevation, the manufacturing, maceration, crushing, fermentation, all are identical up to the moment when tea gets into a cup and wine gets into a glass”. (Chairman)</p>
	<p>“All the packing designs have been done in house. All the designers, creative writing, pack languages, all done in house. He (chairman) is very creative, we don't have advertising agencies. It's pure creativity of three family members.”(Senior Manager -1)</p>
	<p>“Within our country no one was available to facilitate the tea packaging industry for printing tea bags and envelopes as the process involved a different kind of printing technique from the usual offset process... So I set up a printing and packaging company. I gained my first break after knocking at many doors”. (Chairman)</p>
	<p>“I am having fun doing graphic work and designs, I love doing that and I work maybe 16 or 18 hours a day and I enjoy it.” (Chairman)</p>
C02	<p>“First identified this global scenario and Japan was first identified as one of the markets and was focusing on how to get the Japanese market into our portfolio. For over the years lot of work being done and gradually we build up and I think we are the second largest exporter to Japan next to Unilever.”. (Senior Director)</p>
	<p>“Most of the R&D is done with the help of our customers. Ultimately it's the customer who buys the products”. (Senior Director)</p>
C03	<p>“I saw lots of opportunities to use Sri Lankan packing materials and handicrafts to do the tea products... we created lot of new things from local materials.” (Managing Director)</p>
	<p>“Yes, when you travel you see something, when you work you see some new combinations, and even when you meet people you get new ideas .Then you convert these ideas into different packs. For example when I saw another product packed in I just thought that this is very good for packing tea... When you see a wooden box of cigars you think why we can't do the same for tea. And you do something new and you create new designs. After you take the first step it becomes easier, because you always looking at something, with a critical eye to improve your business. We have about 3500 different items in our assortment.”. (Managing Director)</p>
C04	<p>None. (70 per cent of the business is generated through a single customer in Japan.)</p>
C05	<p>“I knew my quality was good, [the] packaging was good and the price was good. Even the bulk. The amount of work we have put in was not done by the other companies. So I wanted to differentiate from others even the bulk tea I started branding... consumers or the retailers started asking for my brand. So it became branded bulk. The importer did not have a choice he had to buy from me because the customer was asking for it. (Managing Director)</p>

	<p>“No it is coming from a team. It comes from someone, it could be our managers, directors, shop owners, or consumer, consumers tell is, it is good of you to do this. So then we get the idea from them, so it’s not only my ideas, it could be any good idea from anyone.” (Managing Director)</p> <p><i>(C05 innovation came in the form of line extensions. The entrepreneur relied heavily on creative ideas coming from outsiders.)</i></p>
C06	<p>“I come out with 12-14 different new designs. So there will be always new varieties and designs.” (Managing Director)</p>
C07	<p>“Well we have evolved further, if you have seen the designs that we do now, you will be amazed. I will show you. All these designs were done with the creative ideas of our chairman and me. Of course, this time we also used a graphic designer based in UK. We have segmented the products and even created a category for kids. This is a unique approach from any way you look at it.” (Senior Director)</p>
	<p>“We just thought now UK if you ask any person in the industry, including Mr AP (A well-known personality in the tea industry), he will say that they drink cheap tea and you can’t match the Kenyan and Indian prices. We went beyond that and identified several segments where we can exist.” (Senior Director)</p>
	<p>“We both think differently, that’s the other beauty of it. We have divided our market and concentrate separately, which I think is really helping the company... Of course my educational background in marketing, finance and MBA and our MD’s exposure to the industry, technical expertise, and creativity of our thinking all helped us to achieve what we have achieved today.” (Senior Director)</p>
C08	<p>“We designed a new type of bag for the airline industry and we found a way to fill this bag and I patented it, and I had this with me and I still have it.”</p>
C09	<p>“I think even in early 60's he (founder chairman) had branded fleet of vehicles all branded the same way orange colour vehicles. “One of the first few hoardings in Sri Lanka was from C09. When the lorries came to load the biscuits, they even put a tray under the engine to stop oil seeping into the ground. (Senior Manager -1)</p>
	<p>“I really like to try out innovative things especially in the product quality area. That is my passion and it gives me an enormous passion. If you do anything with passion it works that's for sure.” (Present Chairman. Source: Company archives)</p> <p><i>(The excerpt precisely describes the present focus of the company. The 2nd generation is overly focused on the product quality itself without looking at the overall picture. This approach has substantially hindered the new product development process and the overall well-being of the employees and the company.)</i></p>
C10	<p>“What I have seen is that he (chairman) is faced with a problem he faced it head on and most of the time come up with a creative solution that we have not thought of. In early days he found a solution to substitute a locally made sugar syrup for imported sugar, played around with different shapes and formulae to develop a unique recipe for the CARE project, initiated the herbal biscuit project, layer cake manufacturing (first of its kind in Sri Lanka), acquiring companies that were performing poorly and made them profitable.” (Senior Manager – 2)</p>
	<p>“Our chairman is a writer, very creative. He sees an opportunity where most of us see a risk.” (Senior Manager – 1)</p>

C11	<p>“They (Industry experts) were laughing thinking that you can’t pack water in 1992 and 1993 and sell in the market, since it was not heard of at that time.” (Managing Director)</p> <p><i>(The idea of manufacturing mineral water was an outcome of his work experience in the Maldives. What is unique in this situation was his ability to see this opportunity, and link it to the natural resource base (Sri Lanka), even though at that time water bottling was not considered as a requirement in the Sri Lankan market.</i></p>
	<p>“I travel around the country to see how our marketing campaigns are doing. Meet consumers, meet our sales guys and go around the shops to get their ideas. I see what is in the market and I also get information about the competitor activities first hand. We try to continuously come up with new ideas, and products. Most of the ideas I have taken from the existing markets through my own experiences. We were the first to introduce carbonated soft drinks in bio degradable PET bottles; we make our own plastic bottle requirement, we bottle our water at the source that goes through a very hygienic process at every stage... We are the only Sri Lankan company with a desalination water plant in Maldives.” (Managing Director)</p>

Appendix F

Entrepreneurial Self-efficacy

Case	Reference
C01	<p>When the free market policies were implemented I took my opportunity to purchase the two tea bagging machines and having purchased this I felt it was the correct thing to do. I was unaware of how to go about it. What raw material to expect... When I had two tea bagging machines and not understanding what to do, it seemed ridiculous to want a printing machine to print tags and envelopes as well. But as time progressed I realized that it was one of the sanest things to do in the tea packaging industry. (Chairman; Source: Company archives)</p> <p><i>(Indicates the confidence he had in his abilities to venture into an area where no tea company has ever gone into at that time, thinking that his decision will bring a positive result in future)</i></p>
	<p>“The chairman will never take no for an answer, he is very capable, but even though he doesn’t have a certain technical capability he believes in his capabilities or very capable of getting the work done from others. A good example is our ready to drink tea-manufacturing plant. When the plant was installed in Sri Lanka no one knew anything about making ice tea, but he was confident that we could crack this and eventually after five years of hard work we did crack it in 2010 by launching it in New Zealand.” (Senior Manager-2)</p> <p><i>(High SE leads to accurate evaluation of one’s own capabilities, limitations and using external sources to overcome those limitations)</i></p>
	<p>“He (the Chairman) does not believe in gurus such as Philip Kotler. He says I know what the customers wants and I will give that to them.” (Senior Manager 1)</p> <p><i>(C01 chairman had over three decades of experience when he started branding of his tea products. This has led to the development of high SE and this eventually led to business expansion into related and unrelated product domains and markets.)</i></p>
	<p>I knew everything of the business, whether it was small or it was large. Every little bit of it. I always remind my staff and children. I did not have[a] corporate style business. I did not have manager for this and manager for that. (Chairman, Source: Company archives)</p> <p><i>(Indicates the confidence he has in knowing and running every aspect of the business. He leads by example, and is a role model for his employees)</i></p>
C02	<p>“This company started from Zero. When they started this company none of them were into business. They all had different backgrounds but they were in the tea industry but in different areas such as brokering, manufacturing etc. But they believed in themselves, they realized there is a vacuum in the market they had the expertise and knowledge, yes they had the financial support but the main thing is they knew that they could do it” (Senior Director)</p> <p><i>(High SE leads to opportunity exploitation)</i></p>
	<p>“I must give the full credit to my former chairman who was a very long term thinker. Although he knew it was a huge risk (investing in Singapore to set up a packing operation), he took it as an opportunity. He knew the potential, and said potential was far greater than the risk factor. So it is the leader and his confidence that convinced the rest and the rest followed. That’s the kind of leadership we had.” (Senior Director)</p> <p><i>(Indicates that SE factor is a good predictor of why individuals see opportunities in risky situations.)</i></p>
C03	<p>“We encourage people to open shops for our own products. When we opened the first shop here (in Sri Lanka) everybody thought I was crazy!” (Managing Director)</p>

	<i>(When there is high SE, entrepreneurs pursue opportunities based on their self-confidence without submitting to external pressures)</i>
	<p>“(When first started) It was only my knowledge of tea. Hardly any bank finance. Not even a proper marketing setup.” (Managing Director)</p> <p><i>(Had much belief in his knowledge and capabilities. This SE eventually led to new venture formation)</i></p>
	<p>“Most of the time you see it, you see that this is the right decision, 99 per cent of the time you get it correct. But there are some instances where we have made the wrong ones.</p> <p><i>(Had much belief in his decision making ability to exploit opportunities. SE imparts accuracy to the judgement)</i></p>
	<p>“If you don’t have the basics to the final knowledge of the product then you shouldn’t start a business. Because people surrounding you can play you out and also you are dependent on somebody else to do your thing. If I didn’t have total knowledge of tea, I wouldn’t have been successful in doing this business.” (Managing Director)</p> <p><i>(SE brings self-reliance Had much belief in overall operation of the business)</i></p>
C04	None.
C05	<p>“At one stage I thought that I could do better if can I leave [my job]. In the sense, I needed a little freedom. Because when I had to report to my superiors, I’m restricted so I have to play with in a limited area. So I thought I can do better.” (Managing Director)</p> <p><i>(SE brings awareness of what is not optimal. He initiated a new venture since he had high confidence about his abilities to be successful)</i></p>
	<p>“When I started, I knew I had some capabilities in certain areas. I was very technical and knew every aspect of tea by that time. I also knew my limitations, I have to get these things done, and I tried my level best to understand new work aspects. So I knew I have to hire people with expertise in areas where I have limited knowledge.”</p> <p><i>(Indicates that not only entrepreneurs have high confidence in their capabilities, they are also aware about their limitations and consciously make arrangements to overcome such deficiencies)</i></p>
C06	<p>“I had to believe in myself and do it which I have done, so I thought that at the age of 34 -35 year I could work hard... I believe in my capacity, I know what I am capable of, like most of the things you have mentioned. It is like this, within the company it is my way of doing things. I get the information from my managers if I am not sure I cross check with someone outside.” (Managing Director)</p> <p><i>(SE brings High confidence and openness to inputs in decision making)</i></p>
C07	<p>“Only thing was we knew we are good in this business. That is the only thing we knew. We took a risk and started... We both believe in what we do, and trust that we have built a sustainable business model.” (Senior Director)</p> <p><i>(High confidence in running the business, amidst the risk of losing their regular income from employment)</i></p>
C08	<p>“I was the only one person to say no and argue with him (C10 Chairman). There were some arguments where he was right, I was humble [enough] to say sorry sir; you are right and some, where I was right, I was the only one to get a sorry from him.” (Managing Director)</p> <p><i>(The C10 chairman is a highly respected person in the Sri Lankan private sector. This indicates the C08 managing directors confidence in his decision making and his abilities to be open to challenging views from his team)</i></p>
C09	<p>“The founder had faith in himself, he started all this without any technical background. It was always by trial and error. This is the beauty of it; he will get into an area where</p>

	<p>he knows very little, but will eventually master it better than anyone else. He had so much confidence in his abilities to do what he wanted, when he wanted. When we got the biscuit plant from England there was no one in Sri Lanka with the knowledge of running it, we had to get down engineers from the manufacturer. But within few months he was there on the floor working with everyone else to bake the perfect biscuit.” (Senior Director)</p> <p><i>(C09 founder is a hands on person, had very little formal education but had much confidence in his abilities to explore new opportunities in every aspect of the business (automated biscuits manufacturing, marketing communications and vertical integration)</i></p>
C10	<p>“In C10's case, there were no proper oils and fats, the flour was of inconsistent quality and had a monopoly supply situation and the import of machinery was locked into a swathe of papers and license restrictions. Despite these and other repressive business environment issues of the then closed economy, the founder forged ahead with conviction and developed a working formulation which he constantly modified until he reached a product formulation for the CARE biscuit that was later gifted to the development agency for use amongst the world's poorest nations.” (De Silva & Bandaranaike, 2006, p. 65)</p> <p><i>(High SE leads to exploitation of opportunities)</i></p>
	<p>“Our Chairman is an all-rounder; he is a qualified baker they know the ins and outs of baking. He can say while staying in office, if there is something missing in the recipe”</p> <p><i>(High SE in every aspect of the business operations)</i></p>
C11	<p>“I worked in Highland Spring and Chivas Regal whisky factory. I got the training and we came back. I had confidence with that training and the first thing I did was to buy a blow moulding machine to manufacture the bottle. I got the contacts in China and imported from there. So now I’m confident and started making bottle.” (Managing Director)</p> <p><i>(When C11 started exporting water for the first time, it had only basic knowledge about manufacturing mineral water. This indicates that training leads to higher SE levels in entrepreneurs. With higher SE they venture into more risky and complex operations, exploring and exploiting more opportunities)</i></p>
	<p>“You have to depend on yourself and you should know every aspect of your business. Then only you can face any situation since you have the confidence to build everything from the ground up.” (Managing Director)</p> <p><i>(High confidence knowing in every aspect of the business operation)</i></p>

Appendix G

Perseverance

Case	Reference
C01	<p>Then, when I started to export tea bags, my bulk tea business sank because all my agents abroad said you are now competing with our customers who are importing your bulk tea to pack their own tea bags. I said: “Okay, I am sorry this has happened, but I can give you tea bags instead of bulk tea”. But they said: “No, we don’t want to hear of it”, but eventually they saw good value in it and a few of them started buying tea from me. (Chairman. Source: Company archives)</p> <p><i>(At the time of C01 own brand launch, it was the 4th largest bulk tea exporter of the country. This move compromised his existing sales, customers as well as long standing relationships he had with them. It took years for him to persuade his customers to come on board with his own brand)</i></p>
	<p>I remember the buyer saying that I did not have a hope in hell of succeeding... Big boys (multinationals) humiliated me. It was a long painful journey that was well worthwhile. (Chairman. Source: Company archives)</p>
	<p>“He has taken his product in a bag from [a] supermarket to [a] supermarket meeting with the buyers... At that time everybody has said it’s not going to work there are multinational brands and it’s not going to be successful.” (Senior Manager- 1)</p> <p><i>(Not giving up amidst external pressures)</i></p>
	<p>I could visualize my situation where all my customers would go to other destinations when the big boys give discounts. So I thought I will market my own brand. It was about 35 years later made it reality and I found that the only way of surviving in the industry is by exporting a value added finished product. (Chairman. Source: Company archives)</p> <p><i>(Tried for 35 years until he got the breakthrough to enter into Australia)</i></p>
	<p>It is interesting to note that after 25 years of trying to launch my own brand I did approach the government in hope of them providing assistance concerning investment and machinery. However, the questions I was subjected to by the bureaucracy shattered my hopes. (Chairman. Source : Company archives)</p> <p><i>(Indicates that he had tried many times to launch his own brand but succeeded after 35 years)</i></p>
C02	None
C03	<p>“We are talking 27 years ago you have to go behind the banks with a begging bowl. And they would keep the bowl without giving us the funds. After five years once we were established and going Ok then yes, we slowly settled in... They (<i>the Banks</i>) wouldn’t give you anything; they will say you are too young, inexperienced, and no collateral, those were the three things we always had. 10 years is not enough.”</p> <p>“They (<i>Banks</i>) throw away your documents. Once a bank manager threw my documents out of the door. That incident was due to passing our limit by 60000 rupees. These are little experiences but bad ones. But you don’t get them in the way or hamper you somehow other find a way.”</p> <p>(Managing Director).</p> <p><i>(Indicates his initial struggle to finance his business and his unwavering determination to continue the business with a positive mind)</i></p>
C04	None
C05	<p>“I bought a fax machine and I had a mobile phone. We didn’t have an office or anything. Even getting a telephone connection was difficult. We were operating from home. Even for the tea board I had to get a license and show them that I have a tea tasting facility. So what we did was to use our pantry cupboards, borrowed a scale</p>

	<p>from a friend and used it and borrowed some tea tasting cups as well and showed a set of operation.” (Managing Director)</p> <p><i>(At the initial stages, entrepreneurs work with meagre resources, but they are not deterred by the lack of it. They use whatever the limited resources effectively to pursue their goals without giving into these conditions)</i></p>
C06	<p>“We had to build everything from the scratch, since I left my previous job by giving a 24-hour notice. I knew I had to work harder than before. So, it was like a 20hr job... I went through a very unorthodox way of starting up a business. The earlier company wanted to get an injunction on me and I never knew law to that level and going to courts and sorting myself out. The company filed an action against me and that court case went on for four and half years.” (Managing Director).</p> <p><i>(started with a one customer and with legal complications that dragged his operations down for almost 5 years)</i></p>
	<p>“The other one was when we had large business (<i>orders</i>) coming in convincing the banks was a difficult thing. They wanted to study our business, see years of transactions and then only they were able to release funds to us. So we had issues with working capital. Financially that was a very difficult period (<i>First five years</i>).” (Managing Director)</p> <p><i>(Apart from the legal complications, C06 had to battle working capital issues for five years)</i></p>
C07	<p>“This is what I tell my people who are working, you work and develop yourself, knowledge, work, perseverance all that and they identify you as a product.” (Managing Director)</p>
	<p>“We approached some brokers and made the presentations and after many attempts and many different brokers we finally managed to get into a major department store in US.” (Senior Director)</p> <p><i>(Breaking into US market is a difficult feat, and it has to be done through the brokers, which is a time consuming and a costly process. Many companies fail to entry after few attempts. C07 continued without giving in)</i></p>
	<p>“We had to face serious financial difficulties. I think after 5th year of operation our finance cost as a percentage of sales was about 8 per cent; that is the cost of building this company.” (Senior Director).</p> <p><i>(Cases indicate that a new firm has to undergo and overcome serious financial difficulties during the first five years)</i></p>
	<p>“You have to prove that you are doing the right thing day in day out. Every single issue we faced, [even] a simple thing like a typo issue, it takes us to zero level and we have to work it out from the bottom up. We miss the ship; we lose the deadline for what?” (Director)</p> <p><i>(Company started branding from the inception, but the banks did not fund marketing activities. As a new company, they had to face many challenges to get their products approved from the Tea Board and customs. These setbacks affected their daily operations)</i></p>
C08	None
C09	<p>He (<i>founder chairman</i>) built everything the hard way. (Senior manager)</p>
	<p>“When he (<i>the founder chairman</i>) first went to UK in 1953 to see automated bakery machines, those machines were designed for large production capacities. He wanted a much smaller machine, which the company didn’t have. He did not want to come to Sri Lanka empty handed and after much discussion, he managed to convince the management to build a machine specifically for his purpose.” (Senior Director).</p> <p><i>(C09 chairman had no formal education, had a very basic English knowledge, and knew nothing about automated biscuit making technology at the time he decided to board a ship to go to England. With all these limitations, he went to England, and ultimately came to Sri Lanka with what he wanted, a custom made biscuit production line)</i></p>

C10	<p>“He (Chairman) is a great believer in risk taking and this company the word "no" is impermissible. Even if you say to our chairman that we can't do it he is not going to accept it. He always says that you have to look for alternatives; you have to keep on trying.” (Senior Manager-1)</p>
	<p>“When we first started the fully automated layer cake production, except for our chairman even we doubted its success. The products were not in line with local palate. But, he never gave hope and we tried very hard to develop a product to suit the local market. Today, we are the market leaders and run at full capacity.” (Senior manager 2)</p> <p><i>(C10 chairman's persistence has developed a never say die culture at C10. It is this approach that has led to reach new heights in new product development and even foreign direct investment)</i></p>
	<p>“If we take some historical examples, when he first developed a new recipe for the CARE project he had tried for months to develop a perfect recipe until he got a breakthrough with very limited raw materials and resources. “ (Senior manager -2)</p>
	<p>Yes, if I recall in 2001 when I went to Paris and London after the exhibition I remember Sri Lankan shops did not have any of our products. It was all our competitors' products. People even said we have never heard of your product. Some said your product was so cheap. That is what we heard initially, but we gradually built it up. Now we lead in every international market and expanded into many new markets. (Senior manager -1)</p> <p><i>(Unlike tea companies where international diversification happens at much faster rate. Traditional companies like C10 have taken years to develop their international markets. They have started with psychically close customer segments such as Sri Lankan community living in overseas with gradually penetrating into less familiar market segments. The important outcome is unlike C09, C10 kept its focus firmly on international market development without getting discouraged with initial negative feedback and lack of orders)</i></p>
C11	<p>Then I gave the proposal to DFCC (an investment bank) as well. That time they were giving money for SME's. Then I went and they said they do not want to give money to water projects. They were laughing thinking that you can't pack water in 1992 and 1993 and sell in the market, since it was not heard at that time (Managing Director)</p> <p><i>(Water was freely available in Sri Lanka through public water system, only one company bottled water for export purposes and for foreign tourists. After many unsuccessful attempts with financial institutions, the C11 founder had to approach his known contacts for funding support.)</i></p>
	<p>What I did was I manufactured the bottle and I was a (The Chartered Institute of Management Accountants UK) CIMA graduate putting on a tie and everything I went to Dam street (In Colombo) selling bottles. I went to all small the shops and asked them to buy my bottle. I made a Horlicks type of bottle where you can put toffees and sweets, that was in 1995. (Managing Director)</p> <p><i>(CIMA is a highly recognized management accounting qualification offered by a UK body. CIMA graduates are often placed in top positions in organisations. The C11 founder had to start from the lowest level, which includes physical hardships, outright rejections and many unsuccessful attempts)</i></p>
	<p>“I tried here and there 300-400 cases. Then when one year after I bought a mould for the lid, but that quality was not good. So I lost about 3million rupees. People bought from me they complained that the bottle and the lid were not good and they were unable to pay.” (Managing Director)</p>
	<p>I built the factory and bought bigger machines to make water bottles and started exporting 40-50 containers to Maldives and Taiwan. In 2000 East Asia crises there was a severe crisis in Taiwan so they had to stop buying from us. (Managing Director)</p> <p><i>(Taiwan order contributed heavily to his top and bottom line, and he managed to build up a positive cash reserve as a result of this order.)</i></p>
	<p>My success is that I went through so many difficulties. The worst case was when I became associated with a person here to get land to pack the water in Maldives. He</p>

	<p>used police influence and while I was at home the police came from Mt. Lavinnia (a city in Colombo) and they said there is a case against you. They fixed me perfectly on a Friday, they caught me, you know Saturday and Sunday courts were not working, I had to be in the remand prison until Tuesday. (Managing Director)</p> <p><i>(This person has forged documents to sell a land to the company)</i></p>
	<p>In 2006 while I was doing MBA, the (Janatha Vimukthi Peramuna) JVP union started here. It was terrible time. My MBA cost 16 million rupees. (Managing Director)</p> <p><i>(JVP union is a strong group of unions that had collective bargaining power over companies)</i></p>
	<p>That is the time (union action) as a top man you go through a misery. I closed the plant. I could not come in because people were sitting outside putting up a tent and everything. I cannot come into my factory I was just at home. Sometimes I felt that I have nothing I had no job, everything was in the factory. (Managing Director)</p>

Appendix H

Access to resources

Case	Reference
C01	<p>“There was hardly any support from the government of any other institutions, we have come to this level purely with hard work, with initial bulk business, especially in Russia with the bulk tea market he had made lots of money and he channelled them to his Australian market.” (Senior Manager- 1)</p> <p><i>(C01 became the 4th largest bulk tea exporter in Sri Lanka before venturing into branded tea business. Company was cash rich at the time of its first brand launch. That made a difference major in C01 capabilities to exploit new opportunities. C01 had the know-how, flexibility and superior technology to quickly adapt to new market situations)- Financial resources</i></p>
	<p>“Then it was turning to tagged tea bags and they had no machinery. I had two machines. So, I agreed to this and began to supply them both. As it progressed, I got more, and more orders, Coles (an Australian company) came and saw my humble factory at Peliyagoda.” (Chairman, Source: Company archives)</p> <p><i>(This was the first major breakthrough to Australian market. C01 was able to exploit this opportunity since it had the machines to do the order.)- Physical resources</i></p>
	<p>“The ability of C01 in Sri Lanka to be able to pack private label in tea bag format which was called Goodfair (<i>Private label brand</i>). This was the Three Guys [supermarket chain’s] private label, so it was the first imported tea bag in a private label that was 100 per cent Ceylonese tea. That sort of re-introduced the Ceylonese tea back into NZ after an about 10 year gap. (Senior Manager – New Zealand).</p> <p><i>(The New Zealand market entry was made possible since it had the machinery needed to pack different types of products under customer’s brand name)- Physical resources</i></p>
C02	<p>“C02 ran as a separate company (<i>from the BPD group</i>). When it comes to resources this was one of the advantages we had. When you go to the banks and when they see who is behind this company, we had no issue getting our finances sorted out. So the resources were never the problem.” (Senior Director).</p>
	<p>““When I work with the personalities such as Mr. X and my manager at that time although it was a very small company, I don’t think even we had 20 staff so [it was a] small company. It was a homely [company] and they were paying lot of attention [to the business] and of course they were real quality personalities. (Senior Director)</p> <p><i>(C02 was started by six well-known personalities in the tea industry. The company had access to financial and human capital at the venture start-up stage.)</i></p>
C03	<p>“My knowledge of tea. Hardly any bank finance. Not even a proper marketing setup. We did up buying, blending and marketing.” (Managing Director)</p> <p><i>(C03 started with entrepreneurs own savings, and few of his trusted subordinates from the company he worked previously)-Financial and human resources</i></p>

	<p>“I still with them after 27 years (<i>the only bank that supported him at the time of venture start-up</i>). One bank. But this bank, now I can get any amount I want, just over the phone. But, to build that reputation takes you a long time, and not one flaw in 10 years. Then, of course, they will give it to you. Today they will give you whatever you want but that takes a lot of time.” (Managing Director)</p> <p><i>(Today company has no issues with working capital or raising funds for new projects. With this flexibility in funding C03 could afford to spend money on marketing activities and to search for new opportunities. They have been taking part in every major international food exhibitions continuously for many years)- Financial resources</i></p>
	<p>“We had a super artist, he died few years ago, he did every single one of my drawings, and everything that we have was drawn by him. He was a master, from logo to every single design we now have is his creation.” (Managing Director)</p> <p><i>(This was a unique resource for the C03, which contributed to place C03 at the premium niche category in the tea market)</i></p>
C04	<p>“Was established in 1994 by a group of tea experts and highly enthusiastic professionals with wide experience in tea, both in Sri Lanka and overseas” (Company website)</p> <p><i>(At the venture formation stage the lead entrepreneur had a team of experts in the tea industry who were willing to work for him)- Human resources</i></p>
C05	<p>“We started with very little or hardly any cash and we started from home. I had to mortgage my house to get loans ... I had [to] work [for my own] provident fund, about 700,000 (NZ\$7000) rupees at that time, I did not even have a vehicle. My wife had some cash and we bought a van for 400,000 (NZ\$4000) those are the only cash we had with us. We had a few staff members (3-4) all of them were relations from Galle.” (Managing Director)</p> <p><i>(Access to financial and human capital at the venture formation stage)</i></p>
	<p>“We now have no mortgage. This system (a security deposit for 2 per cent of the order value) went on and we started doing this voluntarily not as a condition [but] on our own [and we are] doing it. We have lot of deposits with the bank all voluntary deposits. Not as a security but to support our finances to support our company.”</p> <p><i>(Today the company is cash rich and actively engages international marketing and promotional campaigns, invest in overseas sales offices and get the services of foreign managers)</i></p>
C06	<p>“I was 34 years old and did not have much money, but the banks backed me. I also had a partner who backed me up with initial finances.” (Managing Director).</p> <p><i>(Access to financial capital)</i></p>
	<p>“From my previous workplace 10 guys joined me. I had a house in Kotte so we started there.” (Managing Director)</p> <p><i>(Human capital and physical capital)</i></p>
C07	<p>“The first three years we grew 100 per cent year every year, so that put immense pressure on finance. We did not have sufficient resources including initial working capital to get about what we wanted to achieve.” (Senior Director)</p>

	<i>(Company initiated with the individual savings. But started with a highly knowledgeable and experience team of people)</i>
C08	<p>“While I was working with C10 I did this as a side-line business. The chairman said no problem you can start up and if it grows you start on your own. I mainly supply my tea bags to Europe. My customers are Lufthansa, Swiss air, SAS, Virgin Air, Sabrina.” (Managing Director)</p> <p><i>(The founder entrepreneur already had sufficient financial resources when he started working full time in his business)</i></p>
C09	<i>When the C09 officially started, the founder entrepreneur had two successfully running hotels, the fullest support from his three brothers and a loyal manager. He had the capacity and resources to embrace potential opportunities and exploit them.(Company archives)</i>
C10	<p>“Actually, C10 started as a result of the CARE project. At that time the company was mainly funded by selling off the assets of our chairman's family company.” (Senior Manager – 2)</p> <p><i>(The founder chairman of C10 had the financial, physical, human and technical support of his family company.)</i></p>
C11	<i>The founder had access to financial and physical capital through people whom he knew. This will be included in the next section since these resources were derived from his social capital.</i>

Appendix I

Social capital

Case	Reference
C01	He (Chairman) started his with a NZ\$100 loan from his father. (Company archives)
	<p>I had two friends there who owned a company called Australian Tea and Coffee company who were supplying privately to Coles - Peter Bennett and Jack Schroeder. They approached me and said can you do some tagged tea bags for Coles and for Tetley Australia... Coles came and saw my humble factory at Paliyagoda. They suggested certain improvements and they sent out a quality controller who advised me on what should be done. (Chairman, Source: Company archives)</p> <p><i>(This was the first private label Australian supermarket entry opportunity for C01)</i></p>
	<p>“Then in 1950's Johns father Jack who was working for the family company and trained as a tea taster in Sri Lanka at the time, so he was within the industry and set up a friendship with C01 chairman. John was the son of Jack Burton and then Herbert Burton who will go back to generations of importing bulk Ceylonese tea into New Zealand, so there was a family connection all the way along.” (Senior Manager- 3)</p>
	<p>“The New Zealand sales started to kick off when the local advertising agency and personality called Darren Curtis was working with us from 16 and 17 years ago when he always said the best person to promote the brand was going to be the C01 chairman himself. He finally appeared for a TV commercial after much persuasion from Darren and some of C01 chairman’s friends.” (Senior Manager- 3)</p> <p><i>(The advice given by Darren set a precedent for a communication initiative that made a significant change in the worldwide sale of C01 products. C01’s New Zealand market share shot up from 3.9 per cent to 9 per cent within three months of the first TV commercial. Today C01 is number one in the market with a 30 per cent market share)</i></p>
	<p>“The packaging material I had to import from Japan and if there was something incorrect about it, it would be approximately four months before I could rectify it. However, with two machines, along with a colleague I established a small tea packing business.” (Chairman, Source: Company archives)</p>
C02	<p>“The founding team members all knew each other for a long time before they started C02, through trade relationships and some even going back to school days.” (Senior Director)</p>
	<p>“Companies like Twining are not easy to get into. It is through networks and trade relationships. It is the personalities involved in the trade. If you see the founders, they were highly connected to the tea trade, they have built their name in the tea trade, when Twining were looking for a second supplier in Sri Lanka. They did lot of studies and looked at the personalities. (Senior Director)</p>
C03	<p>“Sometimes we have to do the shipment before the money comes. Of course when you work for a big company like Brooke Bond, you are well connected you are known in</p>

	<p>the market. That helps you a lot... particularly the tea brokers, shipping company and packing companies they supported a lot. Especially if you had a good reputation from there and trusted reputation as an honest person then everybody gives you credit".</p> <p>(Managing Director)</p>
C04	<p>"It has been a slow start. But we have very strong partner; we work very closely with xxx Japan. For most of your business, I would think easily 70 per cent of our business would be with them, I mean the core business. Actually it is through Harrison, when my dad was there, he was pretty much in charge of everything there. So when he moved he took the xxx account with him. They knew from that time (<i>Since 1970's</i>). That connection goes back that long. They have invested with us in terms of machinery and equipment. So we are working very closely with them. We are very secure working with them. Absolutely no issues with the payment and things going along well; absolutely zero risk. So you know that has kind of helped us to build the company to this level." (Director)</p> <p><i>(This customer was the reason C04 started its operation. C04 received guaranteed high-volume orders, financial support and also direct access to a one of the difficult markets to enter, Japan.)</i></p>
C05	<p>"I knew them (<i>clients he dealt with when he was employed</i>) but there was no guarantee of buying from me, but if the things were OK they were willing to buy from me." (Managing Director)</p> <p><i>(When he left his previous work places, he had already developed a strong professional relationship with overseas clients. They gave him the market opportunities to sell his products)</i></p>
	<p>"Then you can start developing. At the moment we are developing the Kazakastan Market. What we did was, we got hold of a friend of mine who is in Usbekistan working for Nestlé's. (Managing Director)</p>
C06	<p>"I knew (<i>potential customers</i>), I have met a lot of people (<i>clients he met before the venture start-up</i>). I had been travelling in both the companies (<i>two previous work places</i>)." (Managing Director)</p>
	<p>"Russian company helped me [by] giving us the orders." (Managing Director)</p>
	<p>"BOC (<i>Bank</i>) supported and I had a partner who put 40 per cent he was a silent partner." (Managing Director)</p> <p>"There was a crowd of people who backed me, like guys not only in the company but in the tea trade as well. Because they helped a lot." (Managing Director)</p>
	<p>"It is the contacts that which I have made during my time (<i>In previous work places</i>) which really helped me, actually some of my clients (<i>after he started the operations</i>) sent me money when I was short of money." (Managing Director)</p>
	<p>"Then In July this year we went into a joint venture with a Singaporean company. They are pretty big in Russia. I could use their distribution network overseas." (Managing Director)</p>
C07	<p>"My background has created the opportunity for me to start. I mean the work experience... When I started all the customers came with me." (Managing Director)</p>

C08	<p>“I learnt it from him (<i>chairman of his previous workplace</i>) and I practised with him and later I wanted to do something with my own and I went and told him.” (Managing Director)</p>
	<p>“He (<i>a client he was working with, in the previous work place</i>) fed me with all the information with regard to product development. That made it very easy for me to develop this tea bag for the airline industry.” (Managing Director)</p> <p><i>(This client provided information to develop a product specifically for the airline industry and provided the opportunity to entry. This newly product is distributed through the same partner)</i></p>
	<p>“In Australia the agent who was working for C10, came to C10 and through him I got the opportunity (<i>to enter Australian market</i>).” (Managing Director)</p>
C09	<p>“He (<i>founder chairman</i>) always got advice from British suppliers and even our advertising agency was a British firm, our machinery was got down from there. He always had very close relationships with his overseas suppliers and that is why he was able to reach product and communication standards which nobody could achieve at that time (<i>in the 1960's</i>).” (Senior Manager-1)</p>
	<p>“He got the best things and got the advice from best people he could get. He had few clerks who were very trustworthy and knowledgeable and one of two relations whom he could trust.” (Senior Manager-1)</p> <p><i>(Indicates the resourcefulness of the network partners and importance of trustworthiness of internal network relationships)</i></p>
	<p>“Opportunities we have picked up through personal connections. You cannot spend huge amount of money and we do not have the patience to wait for a long time. You have to do the right thing as well as the popular thing also.” (Senior Manager-1)</p>
	<p>“We tried to get contacts from known parties first. The Chairman introduced some parties who were interested in taking our company to India, and we found some contacts through local distributors.” (Senior Manager-2)</p>
	<p>“We applied for membership of export chambers and used their networks to find opportunities abroad. We got a new contact for Maldives through a friend of mine, who found the Germany buyer through a direct inquiry. The Oman business came through a trade fair, the UAE business came through an indirect inquiry. Likewise, we found entry opportunities through various methods.” (Senior Manager-2)</p>
C10	<p>Well, when it comes to partnerships there is no better person than our chairman to build and use their resources. It was through these partnerships with multinational companies we managed to upgrade our technology, knowledge and even marketing. (Senior Manager-1)</p>
	<p>“I think, he has extensively used his personal and professional contacts. He has a very good reputation in business circles as well as with institutions. His personality is such that people trust his ideas and support with much enthusiasm.” (Senior Manger -2)</p>
C11	<p>“With the support of my contact in Maldives (<i>contact he developed when he was working in Maldives</i>) I exported some containers to Maldives. So then it worked very well, for about six months.” (Managing Director)</p>

	<p>“I went to Maldives and I talked to one hotel owner (<i>known party from previous work experience</i>) and I said I have a water plant. He said he will give US\$ 12000 and go on with my work.” (Managing Director)</p>
	<p>“Then again, I went to the same partner in Maldives and he said I will give you a loan on the option that I should share the business. So I gave 35 per cent then he gave me US\$52000, I also had some money and we put altogether and bought the property in Kandy. (Managing Director)</p>

