Role of Networks in Emergence of International New Ventures

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Abstract

This paper examines emergence of international new ventures by combining the network approach-based internationalization research and entrepreneurial opportunity recognition research to examine the networking processes for emergence of international new ventures. Specifically we aim to find out how entrepreneurs use relationships to create a basis for emergence of an international new venture. The empirical study focuses on a single case study of opportunity realization through networking in the emergence of an international new venture. The venture under study operates in software business serving so called continental system developers and aimed from its inception to be seen as a local firm in its main foreign market of operation. The primary empirical data consists of several interviews of the entrepreneur and interviews of several actors in the networks on which the international new venture is based. As an end result of the paper we present an international new venture process that centres on an opportunity whose development is embedded in entrepreneurial development and use of networks.

Keywords: international new ventures, entrepreneurial networking, industrial networks

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Introduction

During the last decade researchers have in increasing numbers paid attention to a phenomenon of international new ventures (see e.g. special issue on international entrepreneurship in International Business Review 2005). These are companies that soon after their inception look for sales and purchases from international markets (Oviatt and McDougall 1994). Networks and relationships have been noted to have an important influence on their business development (e.g. Coviello and Munro 1995; Sharma and Blomstermo 2003). However, there is little research on how the becoming international entrepreneurs use relationships to create a basis for emergence of an international new venture even before the establishment of the firm. Still, research on entrepreneurship has shown that the understanding of the actions already before establishment is crucial for understanding the new ventures (Shane and Venkataraman 2000).

We aim to cross-fertilize research on roles of relationships in internationalization and research on entrepreneurial networking for emergence of new ventures to examine the networking processes for emergence of international new ventures. Specifically we aim to answer the question: How do entrepreneurs use relationships in emergence of international new ventures?

In search for an answer to the above question we build a theoretical framework based on previous research on roles of relationships in internationalization of industrial firms (e.g. Johanson and Mattsson 1988; Johanson and Vahlne 2003) and roles of relationships in entrepreneurial opportunity recognition and effectuation (e.g. Arenius and de Clerck 2005; Greve 1995; Sarasvathy 2001; Starr and MacMillan 1990). Then we apply the concepts of this initial framework in a single case study.

The empirical study analyses the opportunity realization through networking in the emergence of an international new venture. The venture under study is an international new venture whose two first customers were situated in another continent than the venture itself and its head office was right away located in the primary international target market. Therefore, the internationalization of its business was really significant from the inception. The primary empirical data consists of several interviews of the entrepreneur and interviews of several actors in the networks on which the international new venture was based. In the empirical analysis we highlight how the entrepreneur builds on both existing and new relationships and their networks to create the basis for the international new venture.

We aim to contribute to the understanding of roles of relationships and networks in international business. As an end result of the paper we present an international new venture process that centres on an opportunity whose development is embedded in entrepreneurial use of networks.

Networks and International New Ventures

The study by Oviatt and McDougall (1994) has generated a rich research area on international new ventures or early internationalizing firms, of which one strong angle is the discussion of born globals. We choose to use the concept of international new venture and define it as a newly established firm that becomes international at founding or very shortly thereafter (Rialp, Rialp and Knight 2005). Rialp et al. (2005) have recently reviewed the literature resulting from the about ten years of study on this kind of ventures and on that basis there can be seen two research streams. One studies the phenomenon as early internationalization. The other sees it as new venture creation in international context. Examples of the first type of research are studies in which internationalization is in the core and new ventures are seen merely as one type of international business (e.g. Andersson and Wictor 2003; Larimo 2002). To the second stream belongs, for example, the study by Zahra, Korri and Yu (2005) who define international entrepreneurship as opportunity creation across national borders.

Present situation in the research can be criticized because the research is focused either on examining challenges of early internationalization or entrepreneurship in international context. The real combination of the latest knowledge on both internationalization and entrepreneurship is however rare (e.g. Birkinshaw, Hood and Young 2005; Crick and Spence 2005). Therefore, the conceptual modelling of the phenomenon of international new ventures is quite at an initial stage. We see the network approach as the mediating framework through which internationalization and entrepreneurship can be combined in the study of emergence of international new ventures.
**Relationships in Internationalization of Industrial New Firms**

Johanson and Mattsson (1988) stated that firms internationalize when they establish and develop positions in relation to counterparts in foreign networks. Because of network interdependencies a firm may even be forced to become international if it wants to defend or maintain its position in a particular business network, or if other firms in the business network establish relationships with counterparts abroad. Further, they suggested that success in internationalization is more dependent on domestic and international networks than on market features, e.g., on the culture of the target-market. Johanson and Vahlne (2003) have brought this to pertain to new ventures as well. According to them, the early phases of internationalization of new ventures are not yet understood but there are clear indications of the importance of networks in this.

Why networks are important to international new ventures? Already Johanson and Mattsson (1988) and Coviello and Munro (1995) note that internationalizing firms rely on their existing relationships because these offer contacts to customers, help to develop partners and positions, provide local market knowledge and initial credibility, and provide access to distribution channels. To go to international markets you have to have information of the international opportunities and identify and get to know the possible exchange partners (Ellis 2000). Beyond information sharing and access, existing relationships may initiate unintentional internationalization if a current business partner becomes an active mediator introducing the firm to foreign actors (Komulainen, Mainela and Tähtinen 2005). Coviello and Munro (1995) note networks to both enhance internationalization efforts and compensate the limited marketing expertise and infrastructure but also to restrict the business.

Johanson and Vahlne (2003) present that in networks new firms learn, and by using what they have learned they are capable of proceeding in internationalization. Thus, learning within networks creates a possibility to construct new international networks. Relationships grow incrementally in interaction and commitment to these relationships develops through common experiences. In this interaction partners naturally learn from each other and about each other's needs, resources and strategies. This might pull the partners into internationalization.

On the basis of the above we suggest five main roles for networks in internationalization of firms (see also Harris and Wheeler 2005). Firstly, networks provide information on business opportunities and business partners in international markets and transfer general market knowledge. Secondly, networks provide introduction to far located and to a firm unknown possible business partners. Thirdly, networks create initial access to international marketing networks, such as distribution networks, and legitimate the firm in the market. Fourthly, networks provide a basis for interacting with others thus making it possible for a firm to learn and develop skills needed in internationalization. Fifthly, networks may also inhibit the international growth possibilities for the firm.

Hence, it could be argued international new ventures to be a result of development of existing relationships, development of relationships to possible new partners abroad and development of relationships with relationships of existing and new partners (Johanson and Vahlne 2003). Here the firm's positions before the internationalization begins are important since they indicate market assets influencing the process (Johanson and Mattsson 1988). However, what does the internationalization of international new ventures build on when the firms do not have a position in any network yet? We move on to the entrepreneurship research to find answers to this question.

**Relationships in Entrepreneurial Opportunity Recognition**

Networks are a part of entrepreneurship as it is “a process by which individuals pursue opportunities without regard to the resources they currently control” (Stevenson and Jarillo 1990). Entrepreneurship is thus “opportunity driven, with an ability to make rapid commitment to opportunities that arise in a multi-stage decision mode, often using other people’s resources, managing through networks of personal relations, with the expectation that one will be rewarded in direct proportion to the new value created” (Christensen, Madsen and Peterson 1994). On this basis, entrepreneurship is a network based process of creating new business, in which an opportunity is recognized and turned into a form in which it creates economic value by using own and others’ resources and personal relationships.

Shane and Venkataraman (2000) argue that opportunities are novel ideas of new means-ends relationships between goods, services, raw materials and organizing methods. Therefore, an
opportunity consists of an idea of new combination of an offering, of resources and mechanisms to realize the idea and of a value proposition to the potential customers. Often the opportunity can not be logically deduced because the information space is so complex that the best possible decision is impossible to calculate. There does not exist anything ready to be grabbed but you have to create it. It is like creating a game at the same time that you are playing it instead of trying to play the familiar game more efficiently. Thus, an opportunity is not an end-result of a logical process but a synthesis of fragments that have to be made sense of while the situation is developing.

What kind of behaviour is then involved in opportunity recognition? Most of the authors in the field have seen that opportunity recognition involves knowledge acquisition, competitive scanning, proactive searching, innovative behaviour and collective action (e.g. Johannisson 1988; Kaish and Gilad 1991). Musyka (1997: 28–31) suggests that the behaviour is strategic thinking; entrepreneurs think about business situations and try to figure out what kind of possibilities there might be for new business. It is experience-based searching for something valuable not yet available. Here is involved creative information processing in which distant pieces of information are woven new ways into a view of opportunity (Shane and Venkataraman 2000). However, an entrepreneur does not think alone. The opportunity is socially constructed (Sarasvathy 2001; Sarason, Dean and Dillard 2006) and the opportunity recognition takes place in a social dialogue (Singh, Hybels and Hills 2000). Social networking is widely seen as the vehicle through which opportunities are recognized (e.g. Ardichvili and Cardozo 2000; Davidsson and Honig 2003; Elfring and Hulsink 2003).

It can be suggested that the core of opportunity recognition behaviour includes both rational and creative strategic thinking about a business situation, through which a new value-adding business concept is socially constructed. Entrepreneurs seem to possess the skill to gather information and shape it with others into an opportunity. Further, they know how through networks to identify relevant information, push forward their ideas and get evaluations of their ideas. This makes networks as the origins of new ventures as through successive inclusion of trusted people the entrepreneurs move from an opportunity to realization of the venture (Johannisson 1988). The realization of opportunities requires self-confidence which has been seen achieved by rationalization of actions in personal networks (Johannisson 1988). In the early steps of the venturing process personal network may provide the encouragement needed to push a committed entrepreneur forward in his venturing.

Characteristic of entrepreneurial behaviour is personal commitment, intentional interaction and creativity. Therefore, typical of entrepreneurial behaviour is ‘to find a way’ to access the needed resources (Stevenson and Jarillo 1990). This can be seen connected to ‘acting as if’ behaviour (Gartner et al. 1992) and social contracting (Starr and MacMillan 1990). It is a question of individuals who in the organizing of new ventures use the resources controlled by their friends or acquaintances to make it look as if they had a well-established business. Social transactions are considered significant means for an entrepreneur to achieve asset parsimony, i.e. deploying minimum assets to achieve the desired results at minimum cost. For example legitimacy is often difficult to achieve to a new venture as it lacks a track record on which to refer. To solve this problem an entrepreneur may co-opt the legitimacy by association with her/his social network or by securing endorsement from certain influential people.

Also Aldrich and Zimmer (1986) emphasized close personal relationships as the often best available sources for resources in new venture establishment. As neither the entrepreneur nor his firm has yet a track record on which to appeal in negotiating resources, the agreements may be laid on confidence based on acquaintance. Besides, strong ties imply greater motivation to be of assistance than there is likely to exist in case of weak ties. On the other hand, an important role in entrepreneurial networks is played by brokers linking the members of different networks. The brokers facilitate actions of entrepreneurs by increasing the reachability and connectedness of people with complementary interests. Aldrich and Zimmer (1986) suggest e.g. venture capitalists to act as brokers since they are often able to connect entrepreneurs to supporters like technical experts, management consultants or financial planners. Government advisers in turn, although noted as promising, have been in practice seen in only minor role (e.g. Crick and Jones 2000). Although emphasizing strong ties in supporting entrepreneurial activities, Aldrich and Zimmer (1986:18) acknowledge the significance of weak ties (cf. Birley 1985; Granovetter 1973). A network with a lot of weak ties facilitates the capitalizing on opportunities because through weak ties entrepreneur is likely to receive more diverse information and the information of the new products or services will spread much wider than through strong ties.
In sum, the research on entrepreneurial networking provides two primary standpoints from which to approach the phenomenon. On one hand, networks can be seen as natural, necessary, inseparable parts of entrepreneurship because entrepreneurs create the images of themselves as well as enact the reality and the opportunity through the networks. On the other hand, networking can be seen to arise out of acceptance that the realization of the opportunity requires resources that are not under the control of the entrepreneur or cannot be realized relying completely on his/her own capabilities.

**Networking for Emergence of International New Ventures**

In the emergence of international new ventures can be seen to be question of linkages between entrepreneurs, international opportunities and networks (Aldrich and Zimmer 1986). In this paper network refers to systems of relationships containing information, resources or social support, which an entrepreneur may use in realizing entrepreneurial processes of pursuing opportunities without regard to national borders. In entrepreneurial networks the interdependence of interpersonal and organizational dimensions of business networks, has been emphasized. An approach that embraces both dimensions has been seen as needed because a new venture tends to be strongly identified with the entrepreneur while the entrepreneur identifies him/herself with the venture (Szarka 1990). Initially, the network of an emerging venture is inevitably a personal network since there is no firm yet, only an initial business idea around which the network starts to be built.

An international new venture emerges through an entrepreneurial process that we describe to involve four intertwined and overlapping phases of development.

**Phase I:** Almost always new ventures are established in a familiar environment close to home and with familiar ways of handling issues (Reynolds 1991). New venture creation is, therefore, embedded in entrepreneurs' social networks and it is a collective process. As a result of dialogue an innovative milieu is created, in which knowledge, skills, and other resources are in interaction. Learning together in the innovative milieu provides social and mental support for the creative phase of idea generation (see Keeble et al. 1999). An idea that is a basis for an international new venture involves typically an internationally experienced entrepreneur, significant breakthrough in some technology, substantial value added, leadership in certain product category, and niche markets (Madsen and Servais 1997).

**Phase II:** To turn the idea to an international opportunity an entrepreneur needs to be able to communicate the opportunity to others. This means that the opportunity has to concretize as a novel idea that combines a new offering with strong value proposition and mechanisms for international opportunity realization. Entrepreneurs develop further the ideas of new ventures with their social relationships, start to discuss and enact with people the possible future vision and begin to organize resources in order to realize the vision. Often, an entrepreneur developing an international opportunity relies on his/her previous experience or employment related international networks in the early phases of development (Andersson and Wictor 2003).

**Phase III:** Emerging organizations are equivocal realities and the aim of entrepreneurial action is to manage the ambiguities towards non-equivocality (Gartner et al 1992). Because the entrepreneurs intentionally bring their relationships to the enactment process of the venture they are able to act as if the equivocal events were not equivocal. This way they get support from others to get the process going and to organize the production factors. In organizing the opportunity towards business, relationships are experimented, evaluated, and chosen in order to use them in business formation. It is not a question of the entrepreneur wanting something and using relationships to get this but of finding together with his/her supporters win-win situations in which both sides are satisfied. The evaluation ends by a common understanding of the nature of the relationship being created, or not, and both parties being ready to invest in it in order to reach the purpose of the relationship. Thus, it is a question of reciprocity and trust building. Larson and Starr (1993) suggest that this happens through the skills of entrepreneurs to argument, justify, and work as bridge builders.

**Phase IV:** The opportunity needs to be turned into international business. The relationship network is likely to become more formalized and more layers characterize it (Larson and Starr 1993). The early relations are often quite simple and personal to the entrepreneur. Now, the relationships involve, for example, marketing, selling, transporting, etc. On the other hand, layers in the relationships mean that certain individuals have closer contacts with their colleagues and sub-relationships. Simultaneously norms and structures start to emerge. Finally, the network as an international new venture creator is
crystallized and stable enough relationships exist to be able to say that the new venture has emerged (Greve 1995; Larson and Starr 1993). Hence, a temporary network coalition is created in order to create value through the international new venture (Taylor 1999).

Methodology

In this study we use a single case study as the research strategy. Case research has been proposed as a particularly strong research strategy for studying change in network level processes (Dubois and Gadde 2002, Easton 1995, Halinen and Törnroos 2005). At the level of research design realist case study means especially acceptance of small sample numbers, here a single case, use of multiple data sources, emphasis on understanding a process and search for the contingent causal mechanisms that underlie the process (Easton 1995, Tsoukas 1989). Through systematically gathering and analyzing empirical data and searching for the intricate details of the case under study we aim at creating a novel understanding of the specific phenomenon of emergence of international new ventures.

Data Collection

We examine the emergence of an international new venture, Helmi Technologies Inc., which was established in November 2004 and operates in software business serving so called continental system developers. Helmi is a spin-off from a primarily locally operating Finnish advertising agency. Helmi, however, has its main market in the US, practically in Silicon Valley and right from the beginning set as its target to be seen as a local Silicon Valley firm. Through the case analysis we describe the process aiming to emergence of an international new venture.

We have made two interviews with the CEO of Helmi Technologies, the first one in March 2005 and the second one in October 2005. In addition we have interviewed two representatives of a governmental programme that has aimed to accelerate the internationalization paths of the Finnish software firms and has had a remarkable effect on the emergence of Helmi as an international new venture. The interviews lasted from one and a half hours to two hours and were all tape-recorded. In addition, we have had two short, informal discussions with a US consultant who has been crucial partner for Helmi and with a friend of the entrepreneur who has closely followed the emergence of the firm. The secondary data used for the case study includes the web-pages of the firm, its application to the governmental program and a short analysis of a US consultant of Helmi’s US activities from its official establishment until closing two first deals in the US market.

Data Analysis

Altogether 97 pages of the verbatim interview transcripts formed the raw data of the analysis. Firstly, we constructed a detailed description of the Helmi’s development based on all the individual descriptions and the secondary data available. The resulting analytical report aided our formation of a holistic view of the international new venture development. The time framework from the early ideas of the opportunity to the two first customer relationships of the international new venture in the US exposes the initial chronology, which has been the first organizing mechanism for the further analysis. In June 2006 the CEO of Helmi Technologies was provided the possibility to read the case narrative and comment on it. He checked the correctness of the information given in the below presented narrative and complemented the narrative with several important details.

In the further analysis we imported the original, word-by-word interview data to the QSR N’Vivo program and aimed to reorganize the data by coding. The coding system has the basic categories of opportunity, entrepreneurial process and relationships, which rose from the theoretical discussion. This paper presents an initial analysis of the data. Additional data collection and further analysis is planned.

Case Study on the Emergence of an International New Venture

Description of Opportunity and New Venture

Helmi is a new venture centred on rich internet applications i.e. on development of software based technologies that have a significant influence on the development of www-based applications and their
user interfaces. The opportunity is based on creating value together with enterprise system developers to whom Helmi offers technological solutions that are flexible, based on standards, and provide way of operating independently of browser characteristics.

The offering, rich internet application toolkit is based on two core technologies. One is virtual browser that creates a virtual document object model as an interface between the real document object model and the application. It makes it possible to test browser compatibility with the application very effectively, only once against the virtual browser when without it the tests need to cover tens or even hundreds of different combinations. It removes problems of web browser breeds and versions. The second technology is intelligent web-application structure, one form of AJAX engine, which changes how a web-page operates. It reduces the loading times for web-pages and makes their use more effective. Together the technologies reduce the amount of code in web-pages to be created and maintained by the web developers to some three percents from an old technology. As a result savings are received from lower need of bandwidth, lower amount of maintenance personnel and increasing effectiveness of web-application users. It brings the user interface development to the hands of normal web designers.

The heart of Helmi is in Northern Finland where the idea was generated and the opportunity created in a locally operating ten year-old advertising agency Visualway Design Oy. The idea was further developed to an opportunity to be communicated to others through a governmental programme aiming to accelerate internationalization of Finnish software. Through this programme US markets became the prospected main markets of Helmi. To organize the opportunity Helmi became a subsidiary of Visualway Design in November 2004 and an independent firm in February 2005. In April 2005 the US headquarters were established. In June 2005 the opportunity became business when Helmi got its two first US customers. One made a letter of intent and with another was made a delivery agreement for Helmi's technology. Then also the board of Helmi Technologies released the main part of its funding.

**Opportunity-driven Process for International New Venture Emergence**

In the following case narrative we highlight how the entrepreneur builds on both existing and new relationships and their networks to create the basis for the international new venture.

**Idea generation: creative process in local networks**

The idea generation towards Helmi can be seen to date back to some ten years in time. Then a couple of students interested in web-technologies established a digital media office that over the years developed to a 7-person advertising agency specialized in digital media. The main work principles in the office the entrepreneur describes as characterized by “the desire to do systems we like and not the ones that are possible or in particular economical. This desire to not to compromise in usability and user experience has made us invent new means to get the work successfully done”.

The advertising agency started to deal with issues related to Helmi already about seven years ago. The idea for the new venture was a coincidence in the sense that the entrepreneurs did not intentionally aim to its development. Just they were working with the customers to provide them best possible digital media solutions. Creative solutions and work for new innovations was encouraged and this created good circumstances for developing new. This way the interactions in the closest network of co-workers and local customers made the basis for the idea generation.

**Opportunity creation: Embedding the idea in wider networks**

Around 2003 the entrepreneurs in the advertising agency started the more intentional work for technology creation; the idea started to turn to an opportunity that was based on a platform browser and an operating system for rich internet applications. The investments in the development work were based on belief that the others dealing with web-applications certainly experience the same problems as they did in their customer projects. Support for the opportunity was found from research that stated the productivity of workforce to drop down by some 30 % when a company starts to use web-applications. The usability of a typical web-application is thus pretty poor.

This was the basis for a value proposition of the emerging opportunity that the entrepreneur started to communicate to others in his social networks. The friends and relatives of the entrepreneur provided the first test bed for the opportunity and encouraged the entrepreneur to go on with it. The entrepreneur thanks especially his stepfather, an experienced international manager, of being “a good
partner to talk with and discuss about things especially because he is very much geared to productive criticism which means that he doesn't too much try to say what is right and what is wrong but he builds a discussion". In addition, the discussions with the others in the advertising agency and the many years of customer interaction in digital media and web projects made the entrepreneur understand the significance of the technological solution for web-application users and developers.

At this phase, the entrepreneur was sure that this is a real business opportunity, a global opportunity. Therefore he got involved with the government financed programme that had from 1998 on aimed to aid Finnish firms’ access to the US markets. The programme was lead from Finland but a core of it consisted of a six-person team of US consultants and managers. Simultaneously the entrepreneur made a rough estimate that 60 percent of all potential customers of Helmi are located around hundred miles from Silicon Valley. A new programme period for new applicants was about to start in December 2003 and the entrepreneur applied to it to get first-hand information and contacts to US markets.

However, Helmi was about to be left out of the programme. The opportunity as a basis for product business was considered by the programme’s experts to be quite in the early stage of development; "what and to whom is actually a virtual browser", was asked by the experts as mentioned by the programme coordinator. The background of the opportunity in an advertising agency also stood out as a question mark; "how can an advertising agency make serious software product business". However, the entrepreneur was not willing to accept the rejection. He took contact to the programme coordinator providing new information of and arguments for the opportunity. This was interpreted as a clear indication of commitment together with the clearly shown desire to make global business by the entrepreneur despite the unconventional roots of the opportunity. Also the significant promise of the technology was noted if it just is to be realized. The enthusiasm and commitment of the entrepreneur and the technological promise then opened the door to the programme.

In early 2004 the discussions for arranging financing were also started and as an initial step the Finnish Technology Agency funded Helmi's first trip to the US. There the opportunity was presented to the US expert team of the governmental programme. Helmi’s entrepreneurs participated in trainings and workshops of US consultants that made them to think the strategy and especially how to effectively communicate with the US people. This way the opportunity got some key words that made it easier to communicate to others. In March 2004 the programme participants were taken to the US for a two-week trip to meet press, analysts, consultants and venture capitalists. Through the contacts of one of the programme’s US managers Helmi’s entrepreneurs met with two US consultants who became interested in the opportunity. The entrepreneur emphasizes the influence of the interactions in the US network on the development of the opportunity: "After that it was obvious that we have to go there and we decided to take the market validation through the consultants". This way the programme was an important bridge builder for the international opportunity creation.

The programme would have offered Helmi’s entrepreneurs wider networking tour in US but in May in the advertising agency was decided that they will not invest in this. However, the contacts to the US as well as to the Finnish programme team were maintained. The consulting agreements with the two US-consultants were made and they interviewed about ten prospecting customers about the product and the market and went through analyst reports to make a market validation document.

**Opportunity organizing: virtual processes and acting as if**

The existence and elements of the opportunity were concretized in the market validation document. However, the opportunity was still to be resourced and effectuated. Firstly, a Finnish business angel became interested in the opportunity and committed to invest in its development. The entrepreneur also presented the opportunity in the introduction programme of a leading Finnish technology investor and in other funding occasions. Several venture capitalists expressed their interest in Helmi and it got from the Finnish technology investor a conditional promise of investing in the venture. Also a group of the most prominent private investors could be selected as the financers of Helmi. In November 2004 Helmi became a subsidiary of the advertising agency and started to concretize as a new venture.

Simultaneously Helmi applied to a continuation of the governmental programme and was accepted as a participant. This secured the assistance of the programme’s US-partners for organizing the opportunity in the US markets. Thus, Helmi continued its operations in US markets with the support of the consultants. They aided in developing the market strategy, product positioning plan and made competition analysis. After that they also made introductions of Helmi to their contact base.
In February 2005 Helmi announced to have successfully secured seed financing. It was the first portion of a seed financing package worth about US$1 million. As a part of the investment deal, corporate structure between the advertising agency and Helmi was dissolved and Helmi became an independent venture. Simultaneously Helmi elected a strong board of directors that was aimed to increase the credibility of the venture. It included two experienced managers from well known Finnish ICT-companies, a US investor with 20 years of experience of US venture capital sector, a Finnish business angel and a Finnish manager with lot of international experience, the stepfather of the entrepreneur.

However, at this point Helmi was actually a one-man venture. The entrepreneur was the only one working for it, he worked from the office of the advertising agency utilizing its infrastructure and advertising agency services, acted also as the CEO of the advertising agency and the funding of Helmi was conditional on securing two US customers. Therefore, Helmi was closer to a virtual organization than a real one. But the entrepreneur acted as if he had a well established company. Helmi got its own web-pages, office address and filed patents for the main technologies.

The virtual type of processes continued in the opportunity organizing when in May 2005 Helmi announced to have opened its first US offices: “US office is located at the heart of the Silicon Valley, just a few minutes drive from, San Jose International Airport. Newly opened office will focus on sales, marketing and US customer support.” In reality it was a P.O. Box address creating a virtual office. However, it was important for building the local presence in the US and it was called the head office of Helmi. In practice Helmi was present in the market through the business trips of the entrepreneur and some members of the board of directors and through the two US consultants working for it. In this stage of organizing the opportunity, utilizing the US partners services was considered crucial because then they were also willing to open their contact networks to Helmi.

Opportunity to business: creating customers and sustainable new venture
In June 2005 Helmi became a real business when two US firms became its customers. One of them made a letter of intent for Helmi’s technology and with the other was made a delivery agreement. Then the investors also released the second larger tranche of the funding for the venture. This made it possible for the entrepreneur to start staffing the technological development of Helmi. So now the opportunity could be turned into a real business in the form of two customers, secured funding arrangements and product development personnel. In October 2005 Helmi was a 7-person company. The entrepreneur described the partnership situation of Helmi by stating that “all the relationships are seen as contact space… the development is a matter of right people and being open enough”.

Conclusions
This paper has aimed to open a discussion on a topical international entrepreneurship theme of role of networks in the emergence of international new ventures. We have theoretically built on two streams of research on role of networks; one on relationships in internationalization of industrial firms and the other on relationships in entrepreneurial opportunity recognition. On this theoretical basis we went on to describe empirically an opportunity-driven entrepreneurial networking process that can be seen behind the international new venture emergence. An essential element of understanding the international new venture emergence process is setting the opportunity in the focus. Thus, from our viewpoint in the emergence of an international new venture the central unit of analysis is not the entrepreneur or his/her behaviour neither is it the internationalization process of the firm. We suggest that new understanding can be created through analysis of how the opportunity develops over time in the networks to create an international new venture.

One interesting issue arising from the present study is connected to the software business as a global business area. According to the classification of the different internationalization situations of firms by Johanson and Mattsson (1988), an international new venture in software business should start from the Late Starter situation. The software business as a whole is typically very international but usually a new venture has little international experience. However, a lot of the early networking of the entrepreneur aiming to establish an international new venture strives to establish the firm as an International Among Others. In the above presented empirical case there was two primary means for this. Firstly, the idea was embedded in the internationally experienced networks in form of both board
member appointment and governmental programme utilization. Secondly, the networks in the target market were utilized for virtual processes and virtual offices trying to create credibility that is typical of well established, experienced firms. In general, the latest information and communication technologies (e.g. Skype) provide easily exploitable possibilities for effective virtual processes supporting global relationship creation and opportunity organizing in international new ventures (see also Moen, Gavlen and Endresen 2004).

The idea of network embeddedness of international new ventures can be developed further if it is acknowledged that the core of international new venture creation is an opportunity. In opportunity driven economy opportunities pull possible partners, individuals and firms, together into relationships and to rapid international commitments of international new ventures. The relationships do not develop incrementally based on history but based on organizing of opportunities. Thus, relationships are not that much based on strategic long-term goals or common histories but on opportunities to create new business. Businesses are continuously renewed and the success is based on finding and grabbing on new opportunities and discarding old ideas, even old relationships. In this activity new relationships are actively sought, opportunities pull different actors together and actors commit themselves based on the opportunities.

This paper presents an initial analysis of the emergence of an international new venture. It is an ongoing case-study that we will be developed further on the basis of both additional data collection and deeper empirical analysis. However, the case already illustrates how the networks emerge and are formed around the opportunity that develops from an initial idea to an international new venture. So the question is not about recognizing opportunities across borders neither is it about quickly entering international markets but it is about creating networks around international opportunities.

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