



Article

# Effectuation, network-building and internationalisation speed

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## Abstract

We extend research on the speed of new venture internationalisation by distinguishing between effectual and non-effectual (i.e. causal) network-building approaches, and conceptualising their differential effects on the dimensions of initial entry speed, country (i.e. international) scope speed and international commitment speed. Drawing upon the extant literature on internationalisation speed, network building and effectuation theory, we argue that an effectual approach to network-building is positively associated with initial entry speed and international scope speed, but negatively associated with international commitment speed, while a causal approach is negatively associated with initial entry speed and international scope speed, but positively associated with international commitment speed. In addition, we contribute to effectuation scholarship by elaborating on the causal–effectual distinction in network-building and offering internationalisation speed as an important and interesting outcome variable.

## Keywords

effectuation, international entrepreneurship, international new venture, internationalisation speed, network-building

## Introduction

Internationalization speed – the time elapsed to accomplish internationalisation outcomes (Oviatt and McDougall, 2005) – is a topic of central importance in research on international new ventures (INVs). In explaining why some new ventures are able to exhibit accelerated internationalisation

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despite limited resources, several authors have highlighted the importance of networks (Autio, 2017; Coviello, 2006; Jones and Coviello, 2005; Prashantham and Dhanaraj, 2010; Yli-Renko et al., 2002). Network relationships are known to accelerate internationalisation by aiding the recognition of new opportunities and facilitating a quick comprehension of new market conditions (Morgan-Thomas and Jones, 2009; Prashantham and Young, 2011; Sapienza et al., 2006).

However, little is known about INV speed of network-building per se. In particular, the micro-foundations of network-building for internationalisation may be key to whether, when and how particular internationalisation outcomes are achieved or not. Therefore, contrasting network-building approaches – that take varying amounts of time to accomplish – may play out differentially in relation to different internationalisation speed dimensions. Although there is rising excitement about incorporating effectuation research (Sarasvathy, 2001, 2008), from entrepreneurship into both network building and internationalisation (Coviello, 2006; Johanson and Vahlne, 2009; Sarasvathy et al., 2014), there is as yet no detailed model linking these three.

Our aim here is to build such a model that can readily be used in future empirical work in this productive nexus between effectual entrepreneurship and international networks. We address the question: *How do causal versus effectual network-building approaches adopted by an international new venture differentially affect the dimensions of its speed of internationalisation?* In terms of internationalisation speed, we focus on the three dimensions identified by Oviatt and McDougall (2005): initial entry speed, international commitment speed and country (i.e. international) scope speed. In developing our conceptual model, we comprehensively draw upon all five effectuation principles (not selectively as in previous work) to elaborate upon Sarasvathy and Dew's (2005) distinction between effectual and causal approaches to network-building, and explicate the textures and nuances of these relationships. Our central argument is that an effectual approach to network-building is likely to be positively associated with initial entry speed and international scope speed, but negatively associated with international commitment speed. In contrast, a causal approach is likely to be negatively associated with the initial entry speed and international scope speed, but positively associated with international commitment speed.

Our primary contribution is that we extend international entrepreneurship (IE) research by providing a more nuanced understanding of internationalisation speed in terms of each of the five effectuation principles. An intriguing insight coming to light from our work here is that effectual and causal approaches to network-building can have opposing effects on the post-entry speed dimensions of international commitment and international scope. In addition, we contribute to effectuation scholarship by elaborating on the causal–effectual distinction in network-building and offering internationalisation speed as an important and interesting outcome variable. We also contribute to the effectuation literature by offering the very first theoretical model that explicitly takes into account the formative, rather than reflective nature of the effectuation construct (Chandler et al., 2011; Diamantopoulos and Siguaw, 2006; Read et al., 2016).

This article comprises four sections including this introductory section. In the second section, we lay out the conceptual foundations for the model we propose by drawing upon an extensive review of all the three relevant streams of literature: internationalization speed, networks and effectual/causal approaches to networking. The third section is devoted to theory development, relating findings from the above three literature streams to specific propositions about the three dimensions of internationalisation speed. In the final section, we discuss our contributions, limitations, suggestions for future research and practitioner implications.

## Literature review

There are three streams of literature that inform our conceptualisation. The first deals with the internationalisation speed of new ventures, which argues that time is a key dimension to

understanding the internationalisation process and outcomes (Oviatt and McDougall, 2005). The second explores the relationship between network building and new venture internationalisation (Coviello, 2006). The third argues that the underlying logics of effectuation and causation have differential effects on the different dimensions of network outcomes including speed of network building (Galkina and Chetty, 2015; Sarasvathy and Dew, 2005). We integrate all the three streams to converge on speed of internationalisation as the key variable of interest, and thereafter, build a conceptual model based on this convergence.

### *Internationalisation speed of new ventures*

Starting with Oviatt and McDougall's (1994) pioneering work on the early and rapid internationalisation of certain new ventures, research has drawn considerable attention to the internationalisation speed of INVs. Hurmerinta-Peltomäcki (2003) and Jones and Coviello (2005) argued that time is integral to understanding entrepreneurial internationalisation. Concurring with these scholars, Prashantham and Young (2011) suggest that speed is arguably the most important time-based dimension in INV research. Indeed, pace of internationalisation constitutes a key differentiator between INVs and gradually internationalising firms (Hilmersson and Johanson, 2016; Kuivalainen et al., 2012). Casillas and Acedo (2013) note that speed connects change in a given dimension in relation to some indication of time, a point echoed by Chetty et al. (2014) who emphasise the swiftness or rapidity of some new venture internationalisation.

Internationalisation speed is multifaceted in nature, involving more than the time taken between founding and initial international market entry (Acedo and Jones, 2007; Jones and Coviello, 2005). Oviatt and McDougall (2005: 541) identified three dimensions of internationalisation speed of new ventures: (1) speed of initial entry, that is, 'the time between the discovery or enactment of an opportunity and its first foreign market entry', (2) speed of international commitment, that is, 'how quickly does the percentage of foreign revenue increase?', and (3) speed of country scope, that is, 'the speed with which country scope is increased. That is, how rapidly do entries into foreign markets accumulate and how rapidly are countries entered that are psychically distant from the entrepreneur's home country?' We adopt the work of some authors (e.g. Kiss et al., 2013)<sup>1</sup> to reference this third dimension as 'international scope'.

Recent work has begun to shed useful light on internationalisation speed. A study by Hilmersson et al. (2017) invokes a temporality lens and shows empirically that initial entry speed provides momentum for subsequent accelerated post-entry expansion of INVs. A study of online retailers over a 19-year period arrives at a similar finding (Schu et al., 2016). Other work has highlighted the importance of speed given its effects on INV performance, indicating that beyond a certain point it can be detrimental. For instance, the Mohr and Batsakis (2017) analysis of the international expansion of 110 retailers over a 10-year period reveals an inverted U-shaped speed-performance relationship, as does another study using Spanish panel data (García-García et al., 2017). Also, research has struck a note of caution by showing that rapid internationalisation reduces the probability of firm survival, as seen in a recent study of French firms (Meschi et al., 2017). These findings support Sapienza et al.'s (2006) theoretical arguments that the faster new ventures internationalise, the greater their prospects of growth *and* risk of failing to survive.

An important insight that can be inferred from Jones and Coviello (2005) is that there is more to time than its quantitative (i.e. chronological) dimension; there is also a qualitative aspect that relates to accomplishing or experiencing events, including the building of certain relationships. They also comment on the self-reinforcing interplay between internationalising behaviour and networks. Accordingly, network-building can be viewed as an important manifestation of behaviour over time that characterises and influences the internationalisation process and speed of new ventures.

### *Network-building and new venture internationalization*

Research has consistently shown that INVs rely on network relationships in their pursuit of international growth (Coviello and Munro, 1997). It has been argued that networks speed up the internationalisation process by compensating for new venture resource deficiencies (Coviello, 2006) and shaping cross-border business opportunities (Ellis, 2011; Oviatt and McDougall, 2005). Multiple case studies have documented how the initiation of new venture international expansion emanated from the networks of founders, which in turn were the result of prior employment or education (Autio et al., 2011; Prashantham and Dhanaraj, 2010). Since internationalisation often entails entering an unfamiliar environment, the presence of network connections can also be reassuring for a new venture. They encourage the pursuit of cross-border opportunities resulting from overseas relationships (Gabrielsson and Gabrielsson, 2013) and help to solve problems that arise (Lloyd-Reason and Mughan, 2002).

An important mechanism, through which network relationships help new ventures internationalise rapidly, is learning outcomes (Johanson and Vahlne, 2009; Jones and Coviello, 2005; Yli-Renko et al., 2002). Several INV studies have applied a social capital lens (Coviello, 2006; Prashantham and Dhanaraj, 2010; Yli-Renko et al., 2002), which indicates that network relationships can expedite INV learning by exposing them to diverse sources of novel information in relation to technological and market knowledge. That said, there is scope to go further in terms of highlighting behavioural dimensions of networks – including how they are developed – in relation to their effects on different dimensions of speed. A recent meta-analysis of INV research notes the importance of networks, but also calls for further efforts to specify the nature of their role in a more nuanced manner (Schwens et al., 2018). We turn to effectuation theory to identify a distinction between approaches to network-building that is germane to new ventures.

### *Approaches to network-building: effectual versus causal*

A behavioural theory that has focused on networks in entrepreneurship generally, as well as in IE specifically, is effectuation (Sarasvathy, 2001; Sarasvathy et al., 2014; Sarasvathy and Dew, 2005). This focus is highly compatible with the growing interest in effectuation theory by IE researchers. Schweizer et al. (2010) suggest that international entrepreneurs become increasingly adept at dealing with uncertainty by creatively leveraging existing networks and taking advantage (rather than become the victims) of unexpected developments. Other IE scholars have similarly adopted an effectual lens (Andersson, 2011; Chetty et al., 2015; Gabrielsson and Gabrielsson, 2013; Kalinic et al., 2014; Mainela and Puhakka, 2009; Nummela et al., 2014), with Galkina and Chetty (2015) identifying networks as the essential basis for integration between IE and effectuation theory. Sarasvathy et al. (2014) have noted that INV network dynamics can be understood more richly through an effectual lens, which highlights the ability to leverage entrepreneur networks as ultimately being more crucial than the prevalence of networks per se.

An insight from effectuation theory that has not yet been imported to INV research concerns the microfoundations of network-building and is encapsulated in Sarasvathy and Dew's (2005) distinction between effectual and causal approaches to network-building. The effectual approach to network-building entails building ties with actors who are readily accessible and willing to support the entrepreneur's venture; the focus is on who can, rather than who should, constitute networks for a focal new venture. In contrast, the causal approach to network-building entails deliberately cultivating and activating network ties in order to achieve a predetermined goal (see also Hite and Hesterly, 2001). At the level of each individual (i.e. at the alter level) in the network, causal and effectual approaches are theorised as dichotomous. However, at the network level, they need not be. In other

words, network relationships can occur between one or more individuals using predominantly causal approaches and the other(s) using predominantly effectual approaches. For the sake of more precise theorising, we are modelling network-building behaviour as dichotomous at the individual or alter level of analysis<sup>2</sup>. Traditionally, both entrepreneurship research and network research have taken a causal view of network building (Van Werven et al., 2015; Vissa, 2012). However, more recently, numerous articles have been published linking effectuation with network-building (Alsos et al., 2016; Alvarez et al., 2015; Angus and Barlow, 2016; Engel et al., 2017; Günzel-Jensen and Rask, 2015; Hunt and Song, 2015; Selden and Fletcher, 2015; Van Burg and Romme, 2014). The effectual-causal distinction in network-building is also evident in Sarasvathy et al.'s (2014) description of international entrepreneurs purposefully seeking commitments from targeted stakeholders (causal), in contrast to other attempts by international entrepreneurs to leverage self-selected stakeholders (effectual). Recent work by Engel et al. (2017) builds on this conceptualisation of network-building to highlight differences in terms of the life cycle of network-building. Their approach aligns with ours.

To further clarify the distinction between effectual and causal we consider how this relates to each of the five effectuation principles<sup>3</sup>. First, in terms of the *bird-in-hand* principle (i.e. starting with one's means), an effectual approach involves utilising available means – including networks – by reaching out to active ties, whereas a causal approach involves deliberately reaching out to dormant ties or targeting potential ties with hitherto unknown actors who are deemed to have prospective benefits (Engel et al., 2017; Vissa, 2012). Second, in terms of *crazy quilt* (i.e. forming partnerships), an effectual approach manifests the importance of partnerships as the chief source of resources by forming ties with self-selected actors, in contrast to a causal approach, which is selective in terms of with whom one should (optimally) partner (Larson and Starr, 1993). Third, in terms of *affordable loss*, an effectual approach emphasises low-risk partnering options, even if their resource-providing capacity is relatively low, while a causal approach involves the active search for particular partners possessing desirable resources (Vissa and Bhagavatula, 2012). Fourth, in terms of *lemonade* (i.e. leveraging contingencies), an effectual approach embraces the prospect of serendipity, such as unintentionally connecting with dormant ties, thereby leveraging (rather than avoiding) surprises, as opposed to a causal approach that involves, for example, cold-calling actors that possess complementary resources (Hallen and Eisenhardt, 2012). Fifth, in terms of *pilot-in-the-plane* (i.e. non-predictive control), an effectual approach is a way to leverage control over prediction, whereas a causal approach entails deliberate strategic network actions (Engel et al., 2017). These distinctions are summarised in Table 1.

Two inferences can be made from the above. First, since extant ties constitute its starting point, the effectual approach to network-building is likely to be a more rapid process than the causal approach, leading in turn to a faster learning process. Second, the causal approach to network-building is more likely to produce strategic partners with the potential to generate resources and opportunities over a longer period of time, since these alters are deliberately chosen with prespecified goals in mind (in the present case, pertaining to international expansion). As such, even though the literature stream on effectuation has increasingly influenced both the literatures on networks and internationalisation speed, there are important contributions waiting to be made in more precisely theorising about the relationships between key constructs in these areas and individual principles of effectuation. We turn to that task next.

## Theory development

We advance our understanding of new venture post-entry internationalisation speeds by linking Oviatt and McDougall's (2005) three dimensions – initial entry, international commitment and

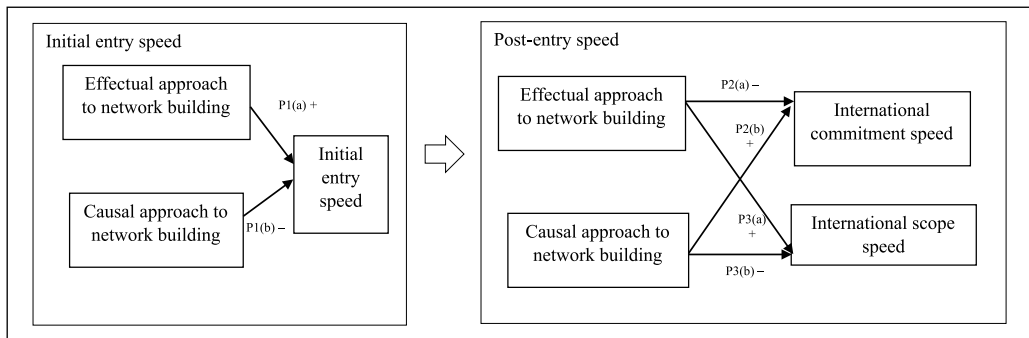
**Table 1.** Effectual versus causal approaches to network-building.

Effectual principle	Corresponding effectual networking actions	Corresponding causal networking actions
Bird-in-hand <i>Starting with one's means</i> (Taking action, based on what you have readily available: who you are, what you know and who you know)	Starting with people one knows (one of the three VVs)	Invoking dormant ties and seeking referrals or resources (Vissa, 2012) Reaching out to new ties by attending events/conferences (Engel et al., 2017)
Crazy quilt <i>Forming partnerships</i> (Forming partnerships with people and organisations willing to make a genuine commitment to jointly co-creating the future – product, firm, market)	Responding to and working with self-selected stakeholders; people who are interested in being a part of the entrepreneur's venture/idea will likely make efforts to reach out	Working with carefully selected partners who have the potential to provide resources such as talent, finance or advice. (Larson and Starr, 1993) Purposively deepening relationships with firms that do or can provide resources (Larson and Starr, 1993)
Affordable loss <i>Setting affordable loss</i> (Evaluating opportunities based on whether the downside is acceptable, rather than on the attractiveness of the predicted upside)	Pursuing a relationship knowing well the down side of pursuing the relationship	Calculating the potential upside in each relationship and pursuing these accordingly (Vissa and Bhagavatula, 2012) Culling/weakening relations that are not providing the necessary resources (Vissa and Bhagavatula, 2012)
Lemonade <i>Leverage contingencies</i> (Embracing surprises that arise from uncertain situations, remaining flexible rather than tethered to existing goals)	Reviving old acquaintances or approaching new ones met serendipitously who can help	Cold-calling on potential resource providers Taking planned actions to preserve ties that can provide resources (Hallen and Eisenhardt, 2012)
Pilot-in-the-plane <i>Non-predictive control</i> Future is neither found nor predicted but, rather, made	Persuading others to be a part of one's activity or provide requisite resources	Planning and strategizing carefully vis-a-vis actions that can help generate resources (Engel et al., 2017; Hallen and Eisenhardt, 2012)

country (i.e. international) scope – to effectual and causal approaches to network-building below. Our model is depicted in Figure 1. The proposed relationships in the model are deduced from the impact of each principle of effectuation on each dependent variable related to internationalisation speed (Oviatt and McDougall, 2005). These constitutive relationships are argued below from the extant literature, where we explain how each of the five effectuation principles (Sarasvathy, 2008) translate into network-building in INVs and how they in turn influence the internationalisation process.

### *Effectual versus causal approaches to network building and initial entry speed*

The speed of initial international market entry of a new venture (arguably the most basic operationalisation of the 'earliness' of internationalisation) is related to how quickly an opportunity is identified and enacted, and refers to 'the time between the discovery or enactment of an opportunity and its first



**Figure 1.** Model.

foreign market entry’ (Oviatt and McDougall, 2005: 541). As we argue below, an effectual approach to network-building can result in a new venture rapidly making its initial international market entry, whereas this will likely take longer if a new venture adopts a causal approach to network-building.

First, in terms of the bird-in-hand principle, initial entry speed is enhanced by an effectual approach to network-building because it starts with known alters (‘who I know’), which eliminates the need for defining and searching for an ideal partner. Actions towards international entry are ‘fast-tracked’ in a sense, partly because of the greater levels of trust engendered by working only with ‘known quantities’; the need to build credibility is non-existent since alter is known to ego (Sarasvathy and Dew, 2008). Prior experience, knowledge and skills of the staff internal to the firm can also help in early internationalisation (Welch and Welch, 1996). If new ventures have any strong ties that have internationalised, they can reduce the liability of newness and therefore, have better internationalisation performance.

Second, in terms of the crazy quilt principle, initial entry speed is greater when a new venture responds to an overture from a prospective overseas partner; this is more likely when an effectual approach to network-building is adopted. Indeed, IE research is replete with numerous thick descriptions of pre-existing network ties facilitating initial new venture internationalisation or even being open to unsolicited orders that can overcome ‘static inertia’ (Coviello and Munro, 1997; Galkina and Chetty, 2015; Prashantham and Dhanaraj, 2010). INVs often begin by reaching out to potential customers or suppliers with international experience to reduce uncertainties involved in the internationalisation process or reaching out to partner with firms in the host country (Lu and Beamish, 2001). Scholars have also found out that influence of trusted ties rather than risk analysis is likely to help firms internationalise (Musteen et al., 2010).

Third, in terms of the affordable loss principle, the lower risk perception stemming from a focus on an acceptable downside rather than an attractive upside (Dew et al., 2009) facilitates quicker initial entry into a foreign market when an effectual approach to network-building is adopted (Sarasvathy et al., 2014). New ventures do not lose time in assessing the potential outcome or the trustworthiness of self-selected partners, leading to faster action (Johanson and Vahlne, 2009). The willingness to accommodate partner interests may reduce time lost in protracted negotiations. For example, the effectual INV will tend to shape its objectives in alignment with those of its partner’s preferences for foreign market segment selection and entry mode choice.

Fourth, in terms of the lemonade principle, an effectual approach to network-building increases the odds of speedy initial entry into a foreign market by instigating ventures to be open to serendipitous opportunities. Initial entry may occur serendipitously through meeting a representative from a cross-border firm seeking partners, receiving spontaneous suggestions from network contacts about

cross-border opportunities or entering partnerships following detailed but non-specific discussions; all of these possibilities can be seen in earlier empirical case-study work (Autio et al., 2011; Bingham, 2009; Coviello, 2006).

Fifth, in terms of the pilot-in-the-plane principle, an effectual approach to network-building is predicated on pre-commitments from partners and a commitment to co-creation, which accelerates the willingness of a new venture to internationalise (initial entry) without the need to predict the future. In essence, this characteristic of effectuation synthesises the preceding four and highlights the benefits, in terms of speedy action vis-à-vis initial international market entry, of co-creating with partners that have pre-commitments to the focal new venture that can have an acceleration effect on the commencement of its internationalisation process (Sarasvathy et al., 2014).

In contrast to an effectual approach to networking, when a causal approach to networking is adopted, there may be a mismatch between deliberately set goals and the initial stock of resources and capabilities of the founding entrepreneur or team (Podolny, 2001). This will likely constrain and slow down the venture's initial networking efforts (Sarasvathy and Dew, 2005). Moreover, adopting a causal approach implies that the entrepreneur will in some cases have to target alters that are currently unknown, that is, potential ties rather than active or dormant ties are targeted (Sarasvathy and Dew, 2005). This implies the need to persuade the prospective partner to work with the focal actor in the absence of a track record (Hite and Hesterly, 2001). This is likely to be time-consuming because confidence-building measures often take time to achieve (Hallen and Eisenhardt, 2012; Ozcan and Eisenhardt, 2009).

Therefore, the causal approach may delay its initial internationalisation. While a venture could adopt both approaches simultaneously, for initial entry it needs only one partner to yield an opportunity. In sum, considering the cumulative effective of the five principles, we expect that the speed of initial international market entry of a new venture will likely be quicker when a venture adopts an effectual approach to network-building because effectuation requires less time and effort for uncertainty reduction.

Therefore we posit:

*Proposition 1(a): An effectual approach to network-building has a positive association with an INV's initial entry speed.*

*Proposition 1(b): A causal approach to network-building has a negative association with an INV's initial entry speed.*

### **Effectual versus causal approaches to network building and international commitment speed**

While in reality, the two post-entry speed dimensions of international commitment and international scope may well proceed hand in hand, for analytical purposes it is helpful to unpack these since, as will be argued, the effects of network-building approaches can differ. So, in making the following arguments, we hold international scope constant and focus purely on increased international commitment (proportion of international revenue), which entails deepening commitment to, or expanding in, the initial market(s) entered. The speed of international commitment refers to 'how quickly does the percentage of foreign revenue increase?' (Oviatt and McDougall, 2005: 541). Once initial international entry has been achieved, there are two broad ways in which international commitment of an internationalising new venture rises: (1) the acquisition of additional international customers and (2) an increase in revenues from existing international customers (of course, in both cases, at a rate that is faster than corresponding rises in the domestic market).



How will an effectual approach to network-building affect international commitment speed? First, in terms of the bird-in-hand principle, international commitment speed is likely suppressed because existing networks may not have the necessary resources to facilitate increasing international commitment (Sarasvathy et al., 2014). As the internationalisation process unfolds beyond initial entry, an effectual approach to network-building will seek to accommodate only self-selecting partners whose goals are not in conflict with those of the venture's pre-existing network and with those having a clear goal in the first place (Schweizer et al., 2010). Thus, deepening international commitment is not necessarily a criterion at all when the venture broadens its networks effectually. Also, relying on strong ties may trap entrepreneurs in suboptimal stable equilibria (Sarasvathy, 1998) and provide them with inferior quality information leading to inferior performance (Musteen et al., 2010).

Second, in terms of the crazy quilt principle, international commitment speed is potentially dampened by the distracting effects of existing as well as new self-selected (i.e. available, not strategically selected) ties that may lead to opportunities in the domestic market or other new markets (Prashantham and Dhanaraj, 2010). An effectual approach to network-building implies that the network will tend not to be tightly coordinated; rather, tie interactions are likely to have a more open-minded and open-ended trajectory. As a result, the focal new venture and its existing and new partners may not be focused on the specific objective of increasing international commitment, since effectual networking is not directed towards a preset goal. Also, working with non-competitors will help in increasing international commitment but working with competitors may adversely affect international commitment (Nakos et al., 2014). Scholars also found that if there is greater networking between the manager involved in internationalisation and other managers in the venture, the performance of internationalization will improve (De Clercq and Zhou, 2014).

Third, in terms of the affordable loss principle, the focus on an acceptable downside rather than an attractive upside may hold a new venture back from increasing commitment following initial entry into a foreign market. This may reflect perceived uncertainties around the attractiveness of the upside of greater international commitment and/or concerns about unaffordable loss, since going deeper into the market(s) may be fraught with greater risk than the new venture would find acceptable (Schweizer et al., 2010).

Fourth, in terms of the lemonade principle, an effectual approach to network-building reduces a new venture's odds of speedy international commitment in the foreign market(s) initially entered, because it is predisposed to serendipity and this may take the new venture into other new directions (both domestically and in other, new international markets). The networking objectives are not predetermined and hence, may not be focused on increasing international commitment, thereby slowing the increase in international commitment. Moreover, unexpected contingencies that arise may be fragmented rather than consolidated around a single outcome, such as commitment deepening in the foreign market(s) initially entered (Galkina and Chetty, 2015). Also, as a firm's international commitment increases, founders cannot anticipate the network outcomes when the networks of international partners start to become active and may lead to both positive, as well as negative, surprises (Welch and Welch, 1996).

Fifth, in terms of the pilot-in-the-plane principle, the outcomes that emerge may not singularly focus on increasing commitment in the initially entered foreign market(s) as there could be a diverse set of other outcomes that may materialise. Since the new venture adopting an effectual logic is not concerned with predicting the future, it is likely to flexibly adopt a diverse set of outcomes concerning its internationalisation rather than the more singular focus of increasing commitment in given market(s) by committing greater resources to, and deepening its involvement in, the market(s) (Read et al., 2009).

The use of extant networks may result in a slow process of deepening commitment in entered markets. By contrast, a causal approach to network-building could trigger quicker results. Although it may take longer initially, once strategically compatible partnerships have been forged through a causal approach to network-building, an internationalising new venture can confidently (and therefore rapidly) commit to the initially entered market(s) and obtain additional international customers (Coviello, 2006). Moreover, the selection of the initial market(s) through a causal approach is likely to have a strong strategic fit with the new venture, thereby enhancing the possibility of increased commitment to those market(s). The deliberate approach that this involves means that new ventures will actively target prospective customers that find their offering valuable. Furthermore, through a causal approach, an internationalising new venture is likely to deliberately deepen its set of ties to accrue additional revenues from existing international customers. Approaching network-building causally increases the likelihood of a venture deliberately pursuing alters with a higher *utility life-cycle*, that is, the capacity to yield repeat orders and/or referrals, thereby ensuring a more continuous flow of opportunities to the focal actor (Prashantham and Dhanaraj, 2010). The venture would potentially build a dense network of interconnected nodes over time, which enables a higher speed of enhancing international commitment because ‘trust is established by the mentoring potential in a dense network’ (Oviatt and McDougall (2005: 546).

In sum, we argue that causally increasing the international customer base, deepening networks to increase the revenue yielded by existing international customers and the reinforcing effects of technological learning will drive the speed of increases in international commitment, which is in contrast to the aggregate effect of the five effectuation principles. Thus we suggest:

*Proposition 2(a): An effectual approach to network-building has a negative association with an INV's international commitment speed.*

*Proposition 2(b): A causal approach to network-building has a positive association with an INV's international commitment speed.*

### **Effectual versus causal approaches to network building and international scope speed**

Next we consider ‘the speed with which country [international] scope is increased. That is, how rapidly do entries into foreign markets accumulate and how rapidly are countries entered that are psychically distant from the entrepreneur’s home country?’ (Oviatt and McDougall, 2005: 541). In conceptualising the effects of the network-building approach on international scope speed, we hold international commitment constant and consider influences on behaviours when entering multiple markets, involving *broadening* the range and spatial dispersion of extant ties.

First, in terms of the bird-in-hand principle, by continuing to work without the requirement of predetermined objectives, the new venture is open to collaborating with known alters (and their connections) in additional markets. By accommodating a wider range of self-selected partners with non-conflicting goals to those of the extant network, the focal new venture remains open to opportunities for further international market entries, including in new foreign markets (Prashantham and Dhanaraj, 2010). Such opportunities may accrue due to the increased learning about distant markets arising from interaction with these new partners (Casillas and Moreno-Menéndez, 2014). Prior international experience (Kuivalainen et al., 2010) as well as having founders and staff members exposed to international experience in their previous ventures (Welch and Welch, 1996) should help new ventures increase international scope.

Second, in terms of the crazy quilt principle, subsequent entries into other international markets may be hastened through the broadening of ties since 'larger entrepreneurial networks are associated with more rapid increases in international scope' (Oviatt and McDougall, 2005: 545). Exploring new facets of existing ties may result in contingencies that are relevant to new international market entries. A wide base of ties mitigates the risk of new market entries and potentially increases the scope of activities beyond what was initially envisaged. The focal new venture may well be comfortable with embracing the new opportunities in multiple markets that manifest as the scope increases in its internationalisation (Sarasvathy et al., 2014). There is also a possibility of dynamic inertia, of 'going with the flow', to additional markets expanding existing networks, for example, client followership (Bell et al., 2004).

Third, in terms of the affordable loss principle, the absence of a calculation of potential return increases a new venture's inclination to try out new markets thus, accelerating international scope speed. That is, the decision to enter international markets is more readily taken in the absence of restraints stemming from the need to gauge upfront the prospective returns on subsequent international market entries. An effectual approach to network-building focuses on co-creation by committed partners, and this can have a mitigating effect on the perceived uncertainty associated with new markets and hence an increase in international scope (Schweizer et al., 2010). Paying more attention to downside risk may inhibit scope expansion; especially in comparison with causal approaches that may encourage scope expansion by offering higher predictions of upside (Read et al., 2009). Furthermore, it is unlikely that entrepreneurs with more internationalisation experience necessarily use more effectuation-based approaches (Harms and Schiele, 2012).

Fourth, in terms of the lemonade principle, open-minded interactions – based on intelligent altruism – with a variety of actors may trigger ideas that increase the odds of serendipitous entries into multiple markets (Coviello, 2006; Galkina and Chetty, 2015). That is, the emergent nature of objectives for new ventures adopting an effectual logic suggests that they can readily accommodate entry into new markets as a part of their emergent agenda. Also, 'going with the flow' through existing networks such as a diaspora network (Prashantham et al., 2015) is, in a sense, an extension of serendipity influencing initial market entry, as discussed earlier; keeping an open mind to unexpected developments increases the odds of 'more of the same' in relation to entering additional foreign markets. As we note, expanding networks in a market already entered is likely to entail more causal efforts.

Fifth, in terms of the pilot-in-the-plane principle, an effectual approach to network-building is predicated on an openness to focusing on what the new venture can possibly co-create with its partners, rather than attempting to control or predict the future, making the new venture comfortable with entering new markets even if the road ahead is not crystal clear (Schweizer et al., 2010). The multiplicity of goals that might emerge as networks are effectually expanded may lead to diverse market entries because the focal new venture's non-predictive control-based logic leads it to explore such new possibilities freely. The availability of trusted partners mitigates concerns about an uncertain future (Sarasvathy et al., 2014). For example, the expansion of identity-based ties across multiple markets can influence the extent of international scope.

By contrast, the causal approach to network-deepening increases the likelihood of a venture deliberately pursuing alters with a higher utility life-cycle, that is, the capacity to yield repeat orders and/or referrals, thereby ensuring a more continuous flow of opportunities to the focal actor (Prashantham and Dhanaraj, 2010). This may be achieved with a relatively small number of strategically selected markets, given the acute resource poverty of most new ventures. Building networks causally is resource-intensive (Sarasvathy and Dew, 2005). Spreading their resources too thinly across multiple markets, especially high-distance ones, could lead to the demise for internationalising new ventures even if revenues did grow rapidly (Sapienza et al., 2006). Hence,

particularly in relation to entry in highly distant markets, we view this process as having to be highly efficient, that is, utilising existing scarce resources optimally (and creatively), because international scope expansion on meagre resources is unlikely to proceed limitlessly. We therefore, suggest that in the case of speed of international scope, a new venture adopting a causal logic will be mindful of the potential negative returns on the time and effort invested in approaching network-building causally, as this is time-consuming, expensive and effortful (Autio et al., 2011). That is, the cost of network-building outweighs the benefits accrued in terms of realising resultant opportunities and therefore, increased international scope.

In sum, we argue that broadening networks effectually, remaining open to new possibilities and acting upon serendipitous opportunities in multiple markets – which are all consistent with the principles of effectuation – will drive the speed of increases in international scope. By contrast, taking into account the likely joint effects of the five effectuation principles, we expect a positive aggregate effect. Therefore we suggest:

*Proposition 3(a): An effectual approach to network-building has a positive association with an INV's international scope speed.*

*Proposition 3(b): A causal approach to network-building has a negative association with an INV's international scope speed.*

## Discussion

Given that little attention has been paid in prior research on INVs to how different approaches to network-building might affect different facets of internationalisation speed outcomes differentially, our purpose in this article was to develop a theoretical framework to answer the research question: *How do causal versus effectual network-building approaches adopted by an international new venture differentially affect the dimensions of its speed of internationalisation?* We argued that effectual and causal approaches to network-building have differential effects on internationalisation speed dimensions, including opposing effects on two different dimensions of post-entry internationalisation speed. Next, we discuss key contributions to the literature, limitations as well as future research directions, and finally some implications for practitioners.

### Contributions to the INV literature

Our primary contribution to the literature on the speed of internationalising new ventures (Casillas and Acedo, 2013; Chetty et al., 2014; Oviatt and McDougall, 2005) relates to the distinction between effectual and causal approaches to network-building, and their differential impact on different dimensions of internationalisation speed. In other words, we unpack multiple dimensions of the internationalisation speed of INVs and relate them to all five principles of effectuation. Neither of these tasks has yet been attempted in the extant literature. Furthermore, the framework we have developed here extends Jones and Coviello's (2005) important notion that time has both quantitative (i.e. chronological) and qualitative dimensions; network-building for internationalisation (qualitative) takes a certain amount of clock-time (quantitative). By drawing upon the distinction between effectual and causal approaches to network-building and their differential speed implications, we contribute to a more temporally nuanced understanding of INVs, as advocated by Jones and Coviello.

Our conceptualisation is both comprehensive, in terms of drawing upon all five effectuation principles, not just one as in previous work (Galkina and Chetty, 2015), and nuanced, since we

relate the effectual–causal distinction to all three dimensions of speed identified by Oviatt and McDougall (2005). Our conceptualisation suggests that effectual and causal approaches to network-building can have opposing effects on the post-entry speed dimensions of international commitment and international scope. In a sense, we specify the differential enabling *and* constraining of networks in relation to the microfoundations of network-building vis-à-vis internationalisation speed.

### *Contributions to the effectuation literature*

Extant studies that have developed and used metrics for effectuation have concluded that effectuation is a formative and not a reflective construct, at least in the case of non-expert entrepreneurs. Yet to date, theoretical models based on effectuation do not explicitly break it down to the level of each principle and then aggregate back into relationships with particular dependent variables. That makes our study both a more precise contribution to theorising in effectuation as well as furthering extant theories in IE to incorporate effectual principles. Moreover, we offer internationalisation speed as an important and interesting outcome variable that has hitherto been ignored in effectuation research. In contrast to unidimensional outcome variables normally used in effectuation studies, we are pointing to a multidimensional-dependent variable. Given the increasing number of empirical studies beginning to accumulate in the effectuation literature, we believe it is time for the field to address more complex outcome variables and more nuanced relationships between them and effectual behaviours.

### *Limitations and future research*

We are cognisant of limitations in this work which impose boundary conditions, but also point to potential future research directions. First, we acknowledge that since we focus on the basics of the relationships between network-building approaches and internationalisation speed, we do not take into account other moderating factors such as firm motivations or its institutional environment<sup>4</sup>. Further research could fruitfully incorporate these and other influencing or moderating factors such as cognition, human capital and the new venture's stock of resources, which we left out of the scope of our theorising for the sake of parsimony. Furthermore, we focus exclusively on speed, and have left other potential outcomes, for instance, entry mode, out of the scope of our theorising. Although preliminary work has failed to identify strong effects of effectuation on entry mode selection (Harms and Schiele, 2012), we acknowledge that there are facets of internationalisation beyond speed that warrant greater focus. Second, we acknowledge that we assume away differences in the quality of initially endowed networks; empirical work seeking to test our ideas should ideally control for this factor. Similarly, we do not factor in the quality and intensity of networking actions or entrepreneur personality characteristics (e.g. self-monitoring) that affect these; these are all fruitful avenues for future work. Another area for research concerns how a mix of effectual and causal approaches emerges in the case of 'rapid-growth firms that quickly transition from a tight-knit founding team to a much broader set of decision makers' (Reuber et al., 2016: 538).

Third, in the interest of avoiding overcomplexity, we have not explicitly grappled with the opportunity creation versus discovery debate in entrepreneurship, although this could be highly relevant in the context of the effectual–causal distinction we highlight. We speculate that an effectual approach to network-building will be associated with opportunity creation, and a causal approach with opportunity discovery; future work could explore this proposition. Follow-up work could also explore the prospect of scope creep – the increase in the range of activity undertaken

beyond what was initially envisaged – as a consequence of adopting an effectual approach to network-building, leading to new unforeseen opportunities. Also, research might explore the relevance of Burt's (2017) notion of time compression in networks: within closed networks, actors focus on the immediate future as their relevant time horizon, to the detriment of the longer term future.

Finally, going forward, we see great scope for INV research and the effectuation stream to build upon our work and address the notion of effectual–causal hybridity – the adoption of a mix and match of causal and effectual approaches across the venture's portfolio of ties. Of course, doing this is not easy given that there is likely to be a tension between the two. How tensions are addressed has become the focus of a new research stream highlighting the 'persistent contradictions between interdependent elements' of paradox (Schad et al., 2016: 2). This work suggests that apart from spatially or temporally separating contradicting tensions, entrepreneurs may be able to develop creative solutions tapping the potential synergies of such tension. Furthermore, future research could examine various contingencies and contextual variables that may have to be identified and theorised in order to develop the optimal mix of causal and effectual networking behaviours in internationalisation efforts. Another facet of hybridity worth exploring in the future concerns contrasting approaches across a dyad when one actor (say, an entrepreneur) is predominantly effectual and the partner (say, a corporation manager) is primarily causal in decision-making.

### *Practitioner implications*

If our ideas find empirical support, then our work has useful normative implications for international entrepreneurs. First, entrepreneurs need to be aware of the approach(es) to network-building that they adopt, since the consequences of their approach in terms of internationalisation speed could vary considerably. The effectual approach to network-building – which may be regarded as the path of least resistance – may not facilitate all dimensions of speed, and so entrepreneurs will need to be willing to step out of their comfort zone, in certain cases, to pursue causal network-building to attain subsequent high international growth.

Second, it can be inferred that entrepreneurs may have to astutely manage the 'tensions' associated with blending effectual and causal network-building in the sense that if the goal is to attain a high speed of internationalisation, both initially and subsequently, then entrepreneurs may have to adopt both approaches in sequence or (better still) simultaneously, which will call for adeptly dealing with the contradictory demands of each of these network-building approaches.

Third, internationalising ventures need to cultivate important partnering capabilities, including the ability to actively seek new ties through actions such as attending events, where the focus should not be on going through the motions of collecting more business cards that will never be looked at again, but on identification of *relevant* alters. The ability to span boundaries, which can lead to rapid growth in international scope and international commitment, is vital. It can be inferred that the capacity to cull ties (Vissa and Bhagavatula, 2012) that are underperforming is also necessary; failing to disengage from unhelpful alters could be as detrimental as failing to engage with appropriate alters for internationalising new ventures.

### *Conclusion*

By bringing to bear an effectuation theory lens comprising all five principles, we have sought to conceptualise how microfoundations such as effectual versus causal approaches to network-building (Sarasvathy and Dew, 2005) can have contrasting effects on internationalisation speed

dimensions (Oviatt and McDougall, 2005). We hope that our conceptualisation effort in this article will offer a building block to other scholars. This will enable further theorisation and empirical examination of how these approaches are combined in reality, as well as what factors – including motivations and institutional environments – mediate and moderate their effects, and thereby further extend the exciting research being developed at the intersection between IE, networks and effectuation.

## Notes

1. These authors note: ‘International scope reflects the breadth of internationalization actions taken by a firm and the extent to which it explores a significant number of internationalization opportunities (i.e. countries) while anticipating competition from a variety of angles and accommodating a variety of ideas, resources, institutional and cultural profiles’ (Kiss et al., 2013: 1069).
2. We do of course recognise that in reality INVs may use a combination of causally and effectually built networks. However, as noted, for the purposes of developing nuanced conceptual building blocks, we stick with Sarasvathy and Dew’s (2005) dichotomous perspective. Note also that this assumption is consistent with Sarasvathy’s (2001) arguments in favour of theoretical dichotomies while explicitly acknowledging mix and match in empirical data – for example, Sarasvathy’s (1998, 2008) findings (63% used effectuation logic more than 75% of the time) as well as the later empirical findings (Chandler et al., 2011) show that effectuation is a formative construct.
3. As mentioned earlier, whereas prior INV research looks at only one of the effectuation principles, viz. crazy quilt (e.g. Galkina and Chetty, 2015), our work comprehensively draws upon all five principles to the effectual approach to network-building. To emphasise the value of adopting this comprehensive approach, a note on formative versus reflective constructs may be relevant here. In their seminal article on the distinction between these two types of constructs for metrics development, Diamantopoulos and Sigauw (2006), defined formative constructs as being formed or caused by their constituents. In the case of effectuation, the five principles can and should be measured individually and their individual effects then aggregated into any relationships that may ensue from effectuation as a whole (Chandler et al., 2011). For example, of the five principles of effectuation, the crazy quilt principle is the one most explicitly related to network building. In particular, this principle explicated how a logic of non-predictive control can drive new networks. Hence, in the spirit of the formative nature of the effectuation construct, greater insights can be derived by examining the effects of each of the five principles.
4. We thank the action editor for this observation.

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