Strangers in a Strange Land:

Strategy development for diminishing liabilities of newness and foreignness in transnational entrepreneurial companies

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DECLARATION

In accordance with the University of Edinburgh Regulations for Research Degrees, the author declares that:

(a) This thesis has been composed by the author and the work contained herein is my own except where explicitly stated otherwise in the text

(b) It is the result of the author's own original research

(c) It has not previously been submitted for any other degree or professional qualification except as specified

(d) Preliminary results of this research were presented at international conferences and workshops as noted in the list of Publications and Refereed Conference Papers.

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Date:

LIST OF PUBLICATIONS

2014 *"Simple Word of Mouth or Complex Resource Orchestration for Overcoming Liabilities of Foreignness"*. Academy of Management (AoM), August 1-5, Philadelphia, USA, with Dr. R. Woodward.

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ABSTRACT

Entrepreneurial migration has become increasingly common as a result of globalization and regional economic integration, and the economic contribution of immigrant entrepreneurs is increasingly appreciated. Many of these immigrant entrepreneurs become transnational entrepreneurs (TEs), in that their business activities link the markets of their home countries and their new host countries. Entrepreneurship, International Entrepreneurship and Internationalization Process research has emphasized the role of networks and of social capital for entrepreneurs for addressing the liabilities of foreignness or of outsidership when they address new markets. Research has not, however, addressed the role of networks for TEs, nor the role of networks in their strategies.

This thesis asks how participation in Diaspora networks helps transnational entrepreneurs diminish liabilities of newness and foreignness, and how transnational entrepreneurs successfully realize and manage business embeddedness at an interorganizational level. A qualitative study is undertaken with 12 Bulgarian-owned service-consulting companies in London. Data came from semi-structured interviews of the entrepreneurs involved and their employees, which was combined with participant observations and oral life story narratives.

Three overall contributions are developed from the findings of the study. First, the study makes a theoretical contribution to the field, by introducing the ‘resource orchestration’ framework in the study of entrepreneurs’ capabilities and resource configurations. Modifying this framework with the inclusion of a time dimension adapts it to the dynamism of process research. This helps the study to show how TEs typically undergo a sequence of processes in which they leverage their Diaspora networks in order to access, acquire, and adapt knowledge and capabilities. It is these processes that allow them to reduce the liabilities of foreignness that they face, and embed themselves in their new local environments.

Second, the study illuminates heretofore unexplored processes of TE integration that reduce their liabilities of newness and foreignness and help to align with their new foreign country market environment. This involves preparation, paradigm shift, and initiation stages, each one being facilitated by embeddedness within a Diaspora community. It is through these integration processes that entrepreneurial resource orchestration is achieved, and the synchronization of resource structuring and bundling processes.

Third, the findings challenge an assumption often encountered in entrepreneurial and international entrepreneurial network and social capital research that the co-existence of strong ties and bridging ties – referred to by Burt (1992) as an ideal configuration – is exceedingly rare. This study finds evidence of their frequent co-existence in the Diaspora network, and shows this configuration to underpin the operation and growth of the network. It shows how TEs have a particular opportunity to access, orchestrate and employ this valuable form of social capital, and doing this in the ways shown not only enables their own entrepreneurial success, but also their economic contribution to their host communities.

FOR MY PARENTS

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NOTATION: USE OF ACRONYMS

BBCC: British Bulgarian chamber of commerce

CAQDAS: Computer Assisted Qualitative Data Analysis Software

CDA: Critical Discourse Analysis

CoPs: Communities of Practice

FDI: Foreign Direct Investment

IB: International Business

IE: International Entrepreneurship

IORs: Interorganizational relationships

LOF: Liability of Foreignness

LON: Liability of Newness

LOS: Liability of Smallness

MNEs: Multinational Enterprises

NA: Narrative Analysis

OLI: Ownership advantages, Location advantages, Internalization advantages

RBV: Resource-based View

SECI: Socialization, Externalization, Combination and Internalization

SMEs: Small- and medium sized Enterprises

TE: Transnational Entrepreneurship

TEs: Transnational Entrepreneurs

UK: United Kingdom

US: United States

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CHAPTER ONE

Introduction

1.1 Background of the research

It was not until recently that it started to be possible for small companies to actively engage in global market operations. Serving an extensive scope of geographically dispersed markets was seen as unfeasible unless such efforts were supported by the resource pools associated exclusively with large corporate structures.

The dominance of corporations in international markets was hardly disputable. The spheres of competition were strictly differentiated in such a way that the main factor of division was the size of the entity. Eventually, however, the racetracks of large corporations and small and medium sized enterprises (SMEs) merged under the influence of globalization forces. The "shrinking" of the world through the improved channels of distribution of products, people and information blurred the original segmentation and set the foundation of a new more global competitive environment. Business owners who do not manage to overcome distance barriers are now more often seen as suffering from a limited managerial mindset more than anything else.

The business realm is now more accessible than ever before, which has resulted in companies of different sizes sharing the same battlefield (Dana et al., 2000). As a result, small companies that do not expand their horizon are under significant survival threat (Etemad, 2003). The key to sustaining the pressures of globalization is also the key to becoming geographically flexible and "internationally competitive – whether they actually enter the international market or not" (Etemad, 2003:223). In the context of internationalization and emerging small and large players in the global market landscape, local relevance and global competitiveness define the nature of competition in today's service and product markets (Andersson et al., 2010). This has defined a gradual shift from native entrepreneurship to a more international form of entrepreneurship observed in a new stream of literature (Oviatt and McDougall, 2007).

International entrepreneurship (IE) is defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000:903). The majority of research on international entrepreneurship examines three main scenarios – ‘born global’ SMEs, companies seeking to internationalize soon after their start-up (Madsen and Servais, 1997; Knight and Cavusgil, 2004; Lu and Beamish, 2001), ‘born-again global’ companies that internationalize after gaining competences and market share in the domestic market (Bell, McNaughton, Young and Crick, 2003), and traditional large companies that internationalize gradually as a response to factors in the domestic and the global macro environment (Johanson and Vahlne, 1977). In the last few years, “international start-up companies are emerging as an innovative breakaway pattern of entrepreneurial activity” (Andersson et al., 2010: 171). However, although distinct streams have already emerged in the international entrepreneurship literature (Zucchella and Scabini, 2007:18), some areas in the entrepreneurial scholarship remain untapped by researchers but are of significant relevance in the cross-national context.

One of these is the concept of transnational entrepreneurship (TE). Drori et al. (2009:1001) define transnational entrepreneurs as “social actors who enact networks, ideas, information and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of actions to promote their entrepreneurial activities”. Transnational entrepreneurship focuses on immigrants’ participation in cross-border entrepreneurship activities (Chen and Tan, 2009). Although conceptually there are a number of similarities between international entrepreneurship (IE) and TE, due to the fact that many international entrepreneurs are immigrants, in fact the approach and the nature of TE are argued to be distinct (Drori et al., 2009). The most essential distinction lies in the differences in the nature and the effect of the host-home country pressures on TE and IE decision-making processes and strategy development. Sequeira et al. (2009) see the main difference between IE and TE in the cultural orientation of TE. The authors describe it as a form of economic transnationalism in which immigrants' engagement is driven by different purposes.

As TEs are increasingly obliged to participate in the changing market environment with players of various size, small companies' rudimentary business practices need to develop if liabilities are to be overcome. This process is inevitably related to orchestrating knowledge and learning. Learning about the host environment's characteristics and peculiarities empowers entrepreneurs to combine knowledge from at least dual social fields – in the home and the host country – and gradually shift their strategic orientation from being native entrepreneurs to becoming transnational ones.

Even though learning has been viewed as essential for the successful operations of foreign companies, there is still a dearth of empirical qualitative studies scrutinizing the dynamics of learning in international business (Sapienza et al., 2004; Zahra, 2005; Weerawardena et al., 2007; Ireland and Webb, 2007; Keupp and Gassmann, 2009; Fletcher et al., 2013). The current thesis attempts to fill this research gap by introducing insight extracted from the observation of a cluster of transnational entrepreneurs and the learning dynamics that occur among actors of diverse embeddedness and network centrality. The contextual background on which the study rests is formed around the TEs' aspirations to overcome liabilities of newness and foreignness via building strategic network ambidexterity. The function of Diasporas for the execution of TEs' strategy related to overcoming pending liabilities is carefully examined.

1.2 Research Motivation

The broader research motivation for this study is the fact that the TE topic remains largely unexamined from a strategy standpoint. The importance of transnational actors' engagement in the business environments of any host country has increased substantially due to globalization. Today, the movement of people, entrepreneurial activities and aspirations has been associated with the generation of new knowledge, perspectives and talents that often lead to opportunity recognition and exploitation. Academic research has followed these developments with interest, and this has led to the development of a new strand of research. Although the concept of transnational entrepreneurship (TE) has been studied through the prism of numerous academic disciplines, such as social science, anthropology, economic and regional development and sociology (Portes, 1987; Portes and Zhou, 1996; Portes et al. 2002, Saxenian et. al, 2000), the topic remains largely unexamined from a strategy standpoint. Additionally, these who have addressed the subject have done so in a predominantly narrative rather than analytical fashion.

Furthermore, most studies on transnational entrepreneurship are based on Western, East Asian, and Latin American countries (Light and Bhachu, 2003; Portes et al., 2002), whereas transnational entrepreneurs from the Eastern European realm have been out of researchers' focus. The exploration of this region has become even more well-grounded following the refutation of the notion that transnational entrepreneurial businesses are similar in size and nature (Dana and Morris, 2007; Saxenian, 2002).

The "field of entrepreneurship theory and research is extremely wide but not as deep (Landstrom, 1999) and more research is needed especially in the organizational side of the matter, even if some authors pointed out the relationship between entrepreneurship and organizational issues as management and strategy (Stevenson and Jarrillo, 1999)" (Zucchella and Scabini, 2007:57). Most analysis of transnational entrepreneurship to date is sociological, focusing on the degree of influence of cultural embeddedness with the home country and acculturation with the host country on the entrepreneurs' decision-making. However, a more in-depth empirical analysis is essential for the complete understanding of the strategy building and implementation conducted by Eastern European transnational entrepreneurs. Furthermore, such an analysis would also shed light on the role that Eastern European TE play not only in their regional communities, but also in the global business environment.

In order to fully understand the position of transnational entrepreneurs in the global business environment and regional communities, a more in-depth empirical analysis of how transnational entrepreneurs develop and implement strategies is necessary.

This thesis investigates the processes of formation of trusted ties in a transnational network setting. The work examines the relationship between becoming an embedded network actor and the learning processes occurring in Diaspora clusters of transnational entrepreneurial firms. The thesis intends to shed light on the way embeddedness occurs and the steps that low-power actors, such as immigrant entrepreneurs, take when determined to build higher positions that maximize network outcomes.

This is a valuable research endeavor as the existence of TEs and their operational practices have not been thoroughly illuminated by current models of internationalization or entrepreneurship concepts (Etemad, 2003). Therefore, TE practices, in the context of the quickly changing nature of international competition remain vaguely understood. Given that this new approach of conducting international business activities has been already well-grounded, it is necessary that TEs' survival toolbox need to be explicated and their capabilities elucidated. For that reason, the current research study aims at addressing the discussed gap in the literature by exploring the operational strategies of transnational entrepreneurs in the host country environment, while paying particular attention to how TEs tackle pending challenges and liabilities.

The topic investigated here is a valuable addition to the embryonic TE research as it encompasses the cultural orientation via the entrepreneurs' engagement in ethnic Diasporas, while examining the relationship between the economic transnationalism and the associated knowledge sharing and construction.

1.3 Theoretical Background

Although the Resource-Based View (RBV) explains the importance of valuable, rare, and inimitable resources for the creation of competitive advantage, it does not provide a sufficiently nuanced explanation of why and how some entrepreneurial companies "have competitive advantages in situations of rapid and unpredicted change" (Zucchella and Scabini, 2007:86). Network theory may be useful in this respect. Research has shown the importance of social and network capital in entrepreneurial companies (Birley, 1985; Nahapiet and Ghoshal, 1998). However, although networks have been considered crucial to TE, there is a lack of theoretical and methodological engagement with social network analysis in the existing TE research (Chen and Tan, 2009:1079).

Chen and Tan (2009) have recognized that the socio-political ties between the host and the home countries are vital to immigrants' participation in transnational activities. As Drori, Honig and Wright (2009:1017) highlight, "the TEs' success may depend on their ability to maintain an appropriate balance between the home and the host environment". This implies the importance of managers and their particular actions for positioning their companies within a complex and dynamic transnational setting. Nevertheless, the role of managers remains largely unnoticed, particularly in the RBV, but also arguably in network theory. Current research suggests that not only resources (social and non-social capital) but also resource-related processes need to be examined (Kraaijenbrink et al., 2010); as Hansen et al. (2004:1280) have said, "what a firm *does* with its resources is at least as important as *which* resources it possesses". The current study is in alignment with the notion that resources alone are not sustainable sources of competitive advantage, but that it is rather the effective structuring, bundling and leveraging of these resources that makes the difference (Sirmon and Hitt, 2003; Sirmon et al., 2007; Sirmon et al., 2011).

For that reason, the current study utilizes *the resource orchestration* perspective, which is characterized by the operationalization of resources through process-focused dynamic capabilities (Sirmon et al., 2011). The resource orchestration framework, developed by Sirmon et al. (2011), integrates the approaches of resource management and asset orchestration. On the one hand, the integrated model forms the basis for a more extensive understanding of the role of business leaders within resource-based framework. On the other hand, the theoretical model encompasses the fundamental portfolio processes of resource management, namely, *structuring* (acquiring, accumulating and divesting resources), *bundling* (stabilizing, enriching and pioneering), and *leveraging* (mobilizing, coordinating and deploying) resources.

The harmony between the two chief components in the framework - resource management and asset orchestration – is preserved by their common and complementing characteristics. Both emphasize the notion of organizational learning, as well as the role of the manager and his/her resource-related endeavors for value creation (Sirmon et al., 2011). These combined characteristics allow the effective application of the resource orchestration theory in the current Diaspora learning context in which TEs operate. Furthermore, the two frameworks are linked to the RBV - *resource management* has a direct link as it draws from RBV, while *asset orchestration* has an indirect link via the dynamic capabilities concept (Helfat and Peteraf, 2003). The framework can therefore be seen as an extension of the RBV.

Nevertheless, the resource orchestration's structuring-bundling-leveraging model does not emphasize the sequential element (i.e. all of these activities could conceivably occur simultaneously). This element, however, is arguably of great importance when examining the process of reducing LOF. Although we recognize that all competitive advantages are temporary as environments are never static, and as a result, ongoing changes are required in all strands of the resource orchestration perspective, there is something that needs to be noted. Namely, the familiarity with the host-country environment is a more stable competitive advantage as it is based on durable solid socio-cultural foundations.

Therefore, we argue that the important sequential element in resource orchestration when it comes to orchestrating resources for diminishing LOF needs to be addressed. We argue that companies determined to diminish such liabilities engage in the processes of *preparation*, *paradigm shift* and *initiation*, which are the observed sequences of developing a portfolio of knowledge and aligning it with the host-country environment. Therefore, we distinguish our model from prior ones by integrating the sequential element, an aspect particularly important for exploring the processes of diminishing liabilities of foreignness.

In this context, the study employs an integrated framework of analysis, which is believed to facilitate the discussion on dynamic capabilities, while examining TE in relation to the nationality effect as well as the resource-based and social capital perspectives. In contrast to previous research that discusses vaguely and separately the influence of these perspectives on TEs' performance (Drori et al., 2009), the framework we utilize shows how the dynamics and the pressures between these perspectives translate into strategy development in the transnational entrepreneurial businesses determined to overcome the liabilities of foreignness and newness.

1.4 Research objectives

Main objectives of the study:

i. Investigate the process of formation and implementation of strategic decisions in transnational entrepreneurial firms.
ii. Explore and examine the Diaspora's role for diminishing liabilities of newness and foreignness.
iii. Explore and examine transnational entrepreneurs' network embeddedness strategies.

Research questions:

RQ1: *How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness?*
RQ2: *How do transnational entrepreneurs successfully realize and manage business embeddedness at the interorganizational level?*

In summary, the current study intends to develop a conceptual framework that could explain Diaspora networks' role for bridging the institutional distance that new actors suffer from as suggested by Eden and Miller (2004). Therefore, the study contributes to the research on overcoming difficulties in internationalization (Cuervo-Cazurra et al., 2007; Madhok and Keyhani, 2012) by theorizing on the embeddedness strategy that service firms may develop, as well as the originating externally developed completive capabilities that may stem in moments of adaptation difficulties. The theoretical model proposed here displays for what purposes young TE companies could take advantage of their social and cultural networks available in the host country.

In addition to extending the entrepreneurship literature by bringing a consideration of intangible external resources into a debate that has historically focused only on tangible ones, this avenue of research aims at contributing in several other ways. We discuss the interorganizational relationships of young transnational companies with other members of their communities of practice (CoPs) as a basis for diminishing liabilities of foreignness and newness. For this purpose, the study scrutinizes both knowledge acquisition and knowledge operationalization, while the majority of studies target either one or the other (Lane and Lubatkin, 1998). To realize these objectives the conducted research utilizes an integrative model based on resource orchestration theory (Sirmon et al., 2011).

This study provides evidence that realizing ambidexterity of operations in the host country is possible when TEs capitalize on their embeddedness in an ethnic Diaspora. The Diaspora has been found to be an accessible mechanism that empowers TEs to engage in the host country's business and social environments.

1.5 Research approach and study design

The research is based on a qualitative and exploratory approach, since one of the objectives of the research is to examine human phenomena (the entrepreneur's strategy and behavior) (Marshall and Rossman, 1999). Moreover, the qualitative approach provides a deeper understanding of the phenomenon within its context (Zucchela and Scabini, 2007).

This study adopts an ethnographic approach based on the narratives of transnational entrepreneurs from Bulgaria who operate businesses in the UK. Ethnography promotes direct observation of research phenomena and seeks to describe the consciousness and the perception of the social actors of interest (Blaikie, 2000). Furthermore, combining the qualitative nature of the study with the ethnographic approach comprises the proposed first step for the generation of theory, compatible with the intersection of IB and entrepreneurship (i.e. IE) (Keupp and Gassmann, 2009:615). The approach required studying a limited sample of companies through in-depth examination for constructing patterns of meaning (Goulding, 1998). The timespan of the conducted ethnographic fieldwork has been two months and the study is based on a purposeful sample of twelve companies.

Ethnography provides an accurate account of the researched topic through recognizing the fundamentals of actors' direct experience with the explored phenomenon as shared by entrepreneurs (Arnould, 1998). According to Schutz (1962), it is exactly the participants' narratives that best represent the social reality explored by researchers. Therefore, this study scrutinizes the discourse produced by transnational entrepreneurs in order to build full understanding of the employed learning model that is believed to occur in the environment under consideration.

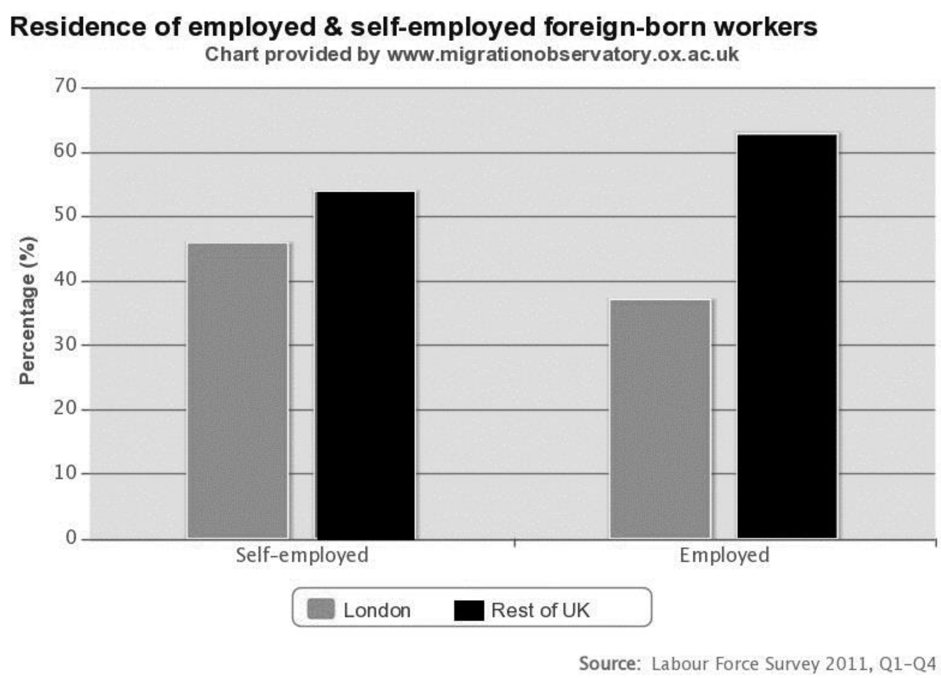
Following Rogoff's (1995) recommendation to researchers of learning environments, three layers have been examined – personal (*micro*: the entrepreneur's experience), interpersonal (*meso*: one-on-one communication and exchange) and community (*macro*: the diaspora interactions), for the purpose of getting a full grasp on the occurring dependencies. Ethnography is believed to assist the attainment of a comprehensive and thorough understanding of the social actors, the organizations in which they operate, as well as the broader context that shapes their maneuvering (Myers, 1999). Therefore, the ethnographic method is appropriate for a research agenda based on Rogoff's recommendations.

1.6 The field of observation

The selected field of observation consists of Bulgarian transnational entrepreneurslocated and operating in London. By definition, the field of observation should have spatial and social relatedness to the objects under research, which undoubtedly is the case when immigrants' communities are considered. Selecting London as the geographical context of this study on transnational entrepreneurs is promoted by the location's characteristics. The city is a major metropolitan area, and according to the 2011 labor force report of the UK Office for National Statistics, London is home to 37% of all foreign-born employee workers in the UK, and what is more important for the current study is that 46% of all self-employed foreign-born workers in the country inhabit this particular city (Figure 1.1). These characteristics make London a desirable context for the observation and exploration of transnational entrepreneurs' strategies for embedding to the business environment.

Nevertheless, it is difficult to determine the exact field of observation as no area's borders can be clearly defined when a network setting is considered. Moreover, no area is completely isolated, therefore, the field is determined by the situations, the processes and the mutual influences reoccurring within the particular social unit (the companies) and ascribed to the general social arena (the ethnic Diaspora).

Figure 1.1: Residence of employed & self-employed foreign-born workers



1.7 Structure of the thesis

This thesis is organized along nine chapters. Starting from Chapter 2, it proceeds as follows:

Chapter 2 presents a review of the literature considered most important for the investigation of the researched phenomena. It introduces the geographical and the theoretical focus of the upcoming exploration, while gradually leading to the point that in order to fully understand the position that Eastern European transnational entrepreneurs take in the global business environment and regional communities, a more in-depth empirical analysis on how transnational entrepreneurs develop and implement strategies is necessary. In this regard, I conceptually introduce the importance of knowledge management networks for TEs' strategies' development and implementation. The chapter contextualizes these processes within the Diaspora setting, which serves as an institutional and cultural framework readily accessible for immigrants.

This overview of the literature brings us to the sections that present and discuss the two specific research questions enumerated in section 1.3. These research questions are further contextualized by relevant concepts and literature. This design creates a flow that shows the reader the research gap and the logic behind the selection of the areas for exploration.

Chapter 3 justifies the adopted research methodology and approach. These are qualitative and exploratory, since one of the objectives of the research is to examine human phenomena (the entrepreneur's strategy and behavior) (Marshall and Rossman, 1999). Moreover, the qualitative approach provides a deeper understanding of the phenomenon within its context (Zucchela and Scabini, 2007). The adopted research strategy is abductive and aims to deeply explore the phenomena under research. While the research draws on interpretivist perspective, the chapter also illuminates the limitations of the adopted research design, which in turn gives rise to efforts for preventing methodological flaws and incompatibilities.

Chapter 4 outlines the adopted analysis and data reduction techniques. It justifies the use of critical discourse and narrative analysis methods for the organization and the examination of the derived rich text-based data. The selected methods allow the researcher to focus on the sociocultural context, as well as to achieve greater reflexivity between the data and its interpretation. The chapter shows how categories within the data are identified.

Chapter 5 presents the findings related to the first research question, regarding the role of participation in Diaspora networks in coping with the liabilities of newness and foreignness. TEs are found to possess well-structured expectations of the benefits that they want to incur from their social embeddedness. Moreover, it seems that what they expect to get, in terms of capabilities, is what assists them in dealing with the pressing liabilities of newness and foreignness, including managerial limitations and knowledge insufficiencies.

Chapter 6 discusses the findings presented in *Chapter 5* and places them in the context of prior research in order to identify their contribution to our understanding of resource orchestration and strategies for coping with the liabilities of newness and foreignness. The chapter demonstrates the enhanced organizational capabilities that the companies within the transnational network possess and relates these capabilities to the physical and social proximity of the business actors. The dialogue follows with discussing the network infrastructure and the necessary operationalization of resources through process-focused dynamic capabilities for the integration in the environment.

Chapter 7 presents the findings of the study related to the second research question, on how transnational entrepreneurs realize and manage business embeddedness at the interorganizational level. The data is analyzed to reveal TEs' strategies for building embeddedness, used for tie finalization in interorganizational social environments in which knowing a person will not necessarily translate into quick business cooperation, especially in cases when the desired party has multiple candidates and no pending or foreseeable needs. TEs' strategies emerge from examining the organizational mechanisms of the Diaspora network and the required routes to network integration.

Chapter 8 discusses the findings illustrated in *Chapter 7* in light of the literature, which allows conceptualizing TEs' observed network configuration. This section discusses the co-existence of the recognized network characteristics, strong ties and bridging ties, and the implications that stem from what Burt (1992) sees as an ideal configuration combining both types of ties. Burt sees this configuration as an exceedingly rare one, but in the explored setting, both types of ties are seen to complement each other. The distinctiveness of this network configuration allows for positioning the contribution of the study in three streams of academic research: transnational entrepreneurship, social networks and strategic management. Each one of these contributions has been discussed in the chapter.

Chapter 9 is the concluding chapter. It restates the main objectives of the thesis (specified in 1.3) and demonstrates how they have been met. This chapter presents the broad findings that respond to the two research questions and outlines their theoretical contributions. The delineated contribution is twofold. First, applying an important set of ideas from the embeddedness and the network literature to tackling the question of how participation in Diaspora networks helps transnational entrepreneurs overcome liabilities of newness and foreignness. Second, furthering discussion in three streams of academic research, namely: transnational entrepreneurship, social networks and strategic management. The chapter highlights the insight that the current research offers to practice and policies. It concludes with the limitations of the study and recommendations for future research.

CHAPTER TWO

Theoretical Background

2.1 Introduction

This section starts with a discussion on the changing nature of the world business and the emergence of new business phenomena that have resulted in a new anatomy of the entrepreneurial body, namely transnational entrepreneurship (TE). The chapter presents the evolution of the TE concept by starting with Portes, Guarnizo, and Haller (2002:287), proceeding with Rusinovic (2008:114), and arriving at Drori et al.'s (2009:1001) most comprehensive definition of TE.

The chapter contextualizes the processes of developing and implementing entrepreneurial strategies within the Diaspora setting. According to Safran (1991), Diasporas are defined as ethnic spaces characterized by a memory or a vision about the home country, commitment to the home country and continued relationship with the home country. This notion is later affirmed by Gillespie and her colleagues (1999:624), who state that "it is this continued psychic relationship with the homeland that differentiates diaspora communities from other expatriate communities, whose members attempt to assimilate to the new culture and distance themselves from their country of origin". Diaspora communities are commonly regarded as enablers of international commerce (Cohen, 1997). Moreover, these communities are predicted to have substantial influence on the economy of the 21st century (Kotkin, 1992).

This motivates the discussion, found in this chapter, of the tacit and explicit knowledge interaction patterns in this social setting (Polanyi, 1966), leading us to conclude that the collective dynamics within the Diaspora community are pivotal for one's personal and presumably professional adaptation and wellbeing in the host country. Furthermore, the theoretical underpinnings, which make the plausible presumption that Diaspora resembles a business incubator by encompassing specific communities of practice (CoPs) are extensively presented.

The study builds upon research showing that attaining knowledge through learning about the specificities of the market and the environment is a significant developmental factor for starting companies, because of the fact that knowledge allows entrepreneurial actors to locate and exploit business prospects, as well as build efficiencies of operation (Penrose, 1959; Spender and Grant, 1996; Yli-Renko et al., 2001). In accordance with this notion, studies have suggested that interorganizational affiliations generate knowledge procurement and operationalization prospects (Dyer and Singh, 1998; Lane and Lubatkin, 1998; Larsson, et al., 1998). “Several studies have examined how firms pursue learning opportunities in interorganizational setting, e.g., buyer-seller relationships (von Hippel 1988) and supplier and customer relationships of entrepreneurial firms (Larson 1992) and small firms (Uzzi 1997). Yet, few studies have examined the role of social capital in facilitating learning in interorganizational relationships” (Yli-Renko et al., 2001:589).

This study has aimed at explicating, first, theoretically through the literature and then empirically, through the data, how social capital relates to interorganizational strategy, by also acknowledging another limitation in the literature, namely, “the identification of the networks of TEs” as suggested by Drori, Honig and Wright in the work “Transnational Entrepreneurship: An Emergent Field of Study” (2009:1017).

To conclude, Chapter 2 introduces *the resource orchestration* theory (Sirmon et al., 2011), which the study adopts. The selected theoretical framework is believed to facilitate the discussion on dynamic capabilities, while examining TE in relation to the nationality effect as well as the resource-based and social capital perspectives. In contrast to previous research that discusses vaguely and separately the influence of these perspectives on TEs’ performance (Drori et al., 2009), the utilized framework shows how the dynamics and the pressures between these perspectives translate into strategy development in the transnational entrepreneurial businesses.

2.2 The Emergence of Transnational Entrepreneurship

International entrepreneurship (IE) is defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall and Oviatt, 2000: 903). The majority of research on international entrepreneurship examines three main scenarios –‘born global’ SMEs, companies seeking to internationalize soon after their start-up (Madsen and Servais, 1997; Knight and Cavusgil, 2004; Lu and Beamish, 2001), ‘born-again global’ companies that internationalize after gaining competences and market share in the domestic market (Bell, McNaughton, Young and Crick, 2003), and traditional large companies that internationalize gradually as a response to factors in the domestic and the global macro environment (Oviatt and McDougall, 2007). In the last few years, “international start-up companies are emerging as an innovative breakaway pattern of entrepreneurial activity” (Andersson et al., 2010: 171). However, although distinct streams have already emerged in the international entrepreneurship research (Zucchella and Scabini, 2007:18), some areas in the entrepreneurial scholarship remain untapped by researchers but are of significant relevance in the cross-national context. Transnational entrepreneurship (TE) is one of these.

Transnational entrepreneurship focuses on immigrants’ participation in cross-border entrepreneurship activities (Chen and Tan, 2009). Although conceptually, there are a number of similarities between the initiatives of IE and TE, due to the fact that many international entrepreneurs are immigrants, in fact the approach and the nature of TE remain distinct (Drori et al., 2009). The main divergence between the two phenomena lies in the differences in the nature and the effect of the host-home country pressures on TE and IE decision-making processes and strategy development.

Portes, Guarnizo, and Haller (2002:287) regard transnational entrepreneurs as “self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin"[1].

Drori et al. (2009:1001) define transnational entrepreneurs as "social actors who enact networks, ideas, information and practices for the purpose of seeking business opportunities or maintaining businesses within dual social fields, which in turn force them to engage in varied strategies of actions to promote their entrepreneurial activities". Sequeira et al. (2009) see the main difference between IE and TE in the cultural orientation of TE. The authors describe it as a form of economic transnationalism in which immigrants engage driven by different purposes.

The emerging field of study has been explored from multiple perspectives in different disciplines. Itzigsohn and Giorguli-Saucedo (2002) classify research on the topic into four different streams: how immigrants form identities that transcend national barriers, how immigrant communities maintain the relationship with their home country, how they participate in the political life of their home country, and how they conduct business in the foreign country. Most of the analysis in the transnational entrepreneurship research is based on cases of entrepreneurs from Western countries, or of East Asian and Latin American nationals in Western countries (Light and Bhachu, 2003; Portes et al., 2002); other contexts, such as Eastern Europe, have been neglected. Although historically, researchers have presented transnational entrepreneurial businesses as quite similar in size and nature (Dana and Morris, 2007), a broader cross-country analysis indicates significant differences in the types and the size of these businesses (Saxenian, 2002).

[1] The concept of traveling in this definition appears central, and actors who constantly cross the borders are more likely than others to be described as transnational. However, this understanding is challenged by Rusinovic (2008:114), who delineates the features of TEs in a different way by shifting the emphasis away from traveling as a factor of transnationalism and underlining the importance of the support function of "contacts or associates in the home country". In that way, Rusinovic introduces the notion that networks of ties are more important than actual traveling for sustaining business activities. Although the proponents of the modern information and communications technology's ability to bridge large distances would probably support Rusinovic's stance, there is a more precise definition that the current study relies on.

Furthermore, the "field of entrepreneurship theory and research is extremely wide but not as deep (Landstrom, 1999) and more research is needed especially in the organizational side of the matter, even if some authors pointed out the relationship between entrepreneurship and organizational issues as management and strategy (Stevenson and Jarillo, 1999)" (Zucchella and Scabini, 2007:57). Most of the analysis of transnational entrepreneurship belongs to mainstream sociological research, which investigates and analyzes mainly the degree of influence of cultural embeddedness with the home country and acculturation with the host country on the entrepreneurs' decision-making. However, in order to fully understand the position that Eastern European transnational entrepreneurs take in the global business environment and regional communities, a more in-depth empirical analysis of how transnational entrepreneurs develop and implement strategies is necessary.

2.3 Knowledge Management Networks

The knowledge-based view of the firm is often considered as an extension of the resource-based theory, as researchers in this stream hold that a company's success depends on how tangible resources are managed, combined and utilized, which refers to the use of strategic thinking and knowhow (Cole, 1998; Spender, 1996a, 1996b; Nonaka and Takeuchi, 1995). This knowledge of the organization is rooted in its culture and vision, policies and even employees and is difficult to be imitated by others due to its social attributes (Grant, 1996a, 1996b; Nelson and Winter, 1982; Spender, 1996a, 1996b). The low levels of imitability make it an effective long-term competitive advantage, which motivates entrepreneurs to seek external knowledge and use it for increasing their ventures' capabilities.

When discussing the value that transnational entrepreneurs get from seeking information and knowledge, it is necessary to differentiate the two terms based on their richness hierarchy, a framework established by Daft and Lengel (1986) to distinguish communication methods by their ability to replicate the information from the original source.

Information is generally described as highly structured data that follows a certain context and is relevant for a specific purpose. The process of information creation involves the manipulation of raw data and adding a certain focus to it that will make it more meaningful for a particular use. Knowledge, on the other hand, is the richest in terms of adding the most structured value to the organizational activities of an entrepreneur (Becerra-Fernandez and Leidner, 2008). Knowledge is believed to be a significant enabler of strategic actions and decisions and set the direction of a venture's further development. The transformation process that converts data into information and information into decisions is crucial here (Becerra-Fernandez and Leidner, 2008). Knowledge conversion and transfer capabilities are important for the competitiveness of a venture, as they constitute a valuable organizational asset (Sajeva and Jucevicius, 2010). In most cases, the survival of a venture is highly dependent on the quality of the knowledge processes that the entrepreneur attaches to the core business activities (Housel and Bell, 2001). Moreover, Sharkie (2003) asserts that another crucial factor for a venture's success is the speed of knowledge generation, distribution, capturing and absorption. Having access to knowledge allows the transnational entrepreneur to develop capabilities that help in overtaking competitors. Therefore, the proximity, not only physical but also social, to sources of information and knowledge is a major factor in venture survival.

For that reason venture managers and entrepreneurs target different kinds of knowledge management networks that generate, collect, organize and distribute focused knowledge as opposed to general information or raw data (Alavi and Leidner, 2001). Becerra-Fernandez et al. (2004) suggest a framework that classifies the different types of knowledge management networks based on the different functions that they employ.

1. *Knowledge discovery networks* construct novel knowledge by utilizing data mining and through the implication of various data relationships.

2. *Knowledge capture networks* exploit the knowledge of experienced professionals in a particular field and develop formalized knowledge patterns and models that can be shared with other parties who want to become familiar with the specific domain.

3. *Knowledge sharing networks* contain knowledge repositories that are used for the organization and distribution of knowledge. The main functions of the knowledge repositories are to support the inflow of knowledge and the reuse of the available experience and knowhow in different contexts.

4. *Knowledge application networks* concentrate on problem solution assistance through providing important intellectual capital support derived from experience with recurring or new problems.

According to King (2009), participation in knowledge management networks has become an imperative practice through which organizations strive to attain or generate practical knowledge and also make it available to others who can use that knowledge in a different context or aspect. This allows the achievement of higher overall effectiveness and is positively related to the organizational performance.

Knowledge is believed to exist in organizations and their members (Becerra-Fernandez and Sabherwal, 2008). Diasporas as a special kind of organizations have integrated knowledge management networks in their core operations. The knowledge management system in Diasporas not only enhances members' learning and provides them with knowhow how to successfully adapt and operate in the foreign environment, but also provides latest knowledge in the fields in which different members maneuver. Therefore, contemporary diaspora organizations encompass the types of knowledge management networks included in the Becerra-Fernandez et al. (2004) suggested framework.

2.3.1 Why Diasporas?

Knowledge is often characterized as being either tacit or explicit (Polanyi, 1966). Explicit knowledge is the most available kind of knowledge and is easily distributed through different kinds of networks. On the other hand, tacit knowledge is the one that cannot be easily distributed or even expressed.

According to Nonaka (1994), tacit knowledge in particular is most easily and effectively conveyed through an established social network. This notion is later supported by Skyrme (2000) who claims that significant amount of knowledge exists in groups due to the relational links between members. The aforementioned statements prove that Diaspora organizations are favorable environment for knowledge management networks to flourish due to the high interrelatedness and social dependency of their members.

When individuals have operated collectively in an organization, they unconsciously identify each other's characteristics and learn how to maneuver within the social strata to derive a specific expertise or take advantage of another member's skills, knowledge, or experience (Skyrme, 2000). Diasporas do not tolerate opportunistic behavior, which has allowed the creation of synergy that builds upon existing ideas (Rauch, 2001; Rauch and Trindade, 2002; Gould, 1994). Therefore, the collective knowledge goes beyond simply the sum of the knowledge of all members. That embedding of knowledge characteristic within groups draws Diasporas very close to communities of practice (CoPs) (Becerra-Fernandez and Sabherwal, 2008).

As defined by Wenger et al. (2002:4), communities of practice are "Groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis." The people who participate in CoPs are united by shared interest or experience and operate in an informal environment, which nurtures creativity in solving mutual concern. Wenger suggests that the main output of the operation of CoPs is intangible and it is often knowledge, which could lead to improving performance. As argued by Gherardi et al. (1998:279), "Referring to a community of practice is not a way to postulate the existence of a new informal grouping or social system within the organization, but is a way to emphasize that every practice is dependent on social processes through which it is sustained and perpetuated, and that learning takes place through the engagement in that practice".

Lave and Wenger (1991) regard the concept of CoP as an element of the social theory of learning, later used by some to challenge traditional learning approaches. Wenger (1998) characterizes CoPs as interactional strata, hubs of natural social processes that support and enhance learning processes through the high resemblance with apprenticeship. Furthermore, "the process of becoming a member of a CofP […] involves learning. We learn to perform appropriately in a CofP as befits our membership status: initially as a peripheral member, later perhaps as a core member" (Holmes and Meyerhoff, 1999:174), which could be a process similar to TEs' development and their actual engagement in the new social and business environment.

It is not uncommon for CoPs to serve as incubators of efficient or effective organizational skills, strategy promoters, generators of new business practices and initiators of novel business solutions to existing problems. Inspired by the numerous potential organizational benefits that CoPs could bring, Wenger and Snyder pose the question why CoPs are not widespread in modern formal organizations. The scholars have revealed three answers that could shed light on the issue. "The first is that although communities of practice have been around for a long time - for centuries, in fact - the term has just recently entered the business vernacular. The second is that only several dozen forward-thinking companies have taken the leap of "installing" or nurturing them. The third reason is that it is not particularly easy to build and sustain communities of practice or to integrate them with the rest of an organization" (Wenger and Snyder, 2000:140). The authors have reached these answers after tracing the historical development of the CoPs phenomenon and scrutinizing the learning entities' characteristics. A specific characteristic, which explains the low prevalence of CoPs is their self-organization, which is difficult to initiate. CoPs "are informal, they organize themselves, meaning they set their own agendas and establish their own leadership. […] They [members] know if they have something to give and whether they are likely to take something away" (Wenger and Snyder, 2000:141). It appears that the leadership, the engine, in these self-organized organizations is based on the give and take concept, which suggests the possibility of existence of structural holes in the organizational structure.

Burt (1992:18) defines structural holes as “relationship of nonredundancy between two contacts...As a result of the hole between them, the two contacts provide network benefits that are in some degree additive rather than overlapping”. Parties who are visionaries and have the capability to recognize complementary information or knowledge situated on the opposite edges of the structural hole possess favorable network position, which allows better using the available social capital and acting as a brokerage (Burt, 1992, 2000).

This has been also emphasized by recent literature which asserts that transnational networks transmit not only historical information about past business activities, but also regarding contemporary prospects related to international trade and investment. Rauch (2001) claims that the research on networks usually recognizes knowledge as an important trait necessary for matching the participators’ characteristics to present opportunities. Transnational networks, in the context of Diasporas, can assist the matching by providing focused market information derived through the constant conversion of available knowledge within the organization’s social structures.

2.3.2 Diaspora embeddedness as a liability reduction tool

Innovative companies, or even individuals determined to create new companies, are often motivated to develop novel concepts from already existing knowledge resources. A concept with high degree of practicality could be easily applied to a specific business field and could result in a successful venture. However, the development of a concept through the use of combination requires complex organizational processes such as communication, diffusion, integration, and systemization of knowledge, which usually go beyond the abilities of a single transnational entrepreneur (Nonaka, 1994). Furthermore, immigrants are often disadvantaged due to their limited social capital in the host country. Ostgaard and Birley (1994) stated that the personal network of an entrepreneur is the most crucial resource for a young company's survival because it gives the entrepreneur the opportunity to draw upon it in the early stages. The major disadvantages that transnational entrepreneurs experience, in comparison to the local entrepreneurs, motivate them to look for a more consolidated, yet decentralized and relatively easy-to-enter network structure that would increase their chances of survival. The entity that aids in consolidation and decentralization appears to be a variation of a community of practice, because as Liedtka (2000) suggests, CoPs offer their participants both empowerment and freedom. Many transnational entrepreneurs have recognized Diaspora networks as a viable opportunity for building an extensive social capital and bridging any potential network gaps.

However, there is a particular trade-off when companies decide which strategy to implement, centralization or decentralization (Park et al., 2002; Holmqvist, 2004). Many studies have suggested that the increased autonomy is commonly associated with decline in communication between entities (Lawrence and Lorsch, 1967; Egelhoff, 1988; Sorenson and Sorensen, 2001). The opposite correlation has also been observed and scientifically validated predominantly in corporate settings, where intentionally decreasing the communication to the units often leads to higher innovative capability (Benner and Tushman, 2003; O'Reilly and Tushman, 2004; Fang et al., 2010).

The communication within the social circles and the establishment of personal associations among members instigate the transfer of knowledge from the individuals to the group and make it practically impossible to only extract, without providing knowledge (Walsh, 1995; Weick and Roberts, 1993).

The capability of connecting knowledge capital from varied decentralized sources within the network is what forms the notion of social capital bridging. Research has suggested that ventures new to the market or the environment are in a harsh situation as their capacity to bridge social capital is very limited. As a result, these companies are more likely to engage in bonding social capital (participating in a centralized system) due to the fragmented nature of their social positioning in the business environment

(Prashantham, 2008). Moreover, even in the case of companies that understand the importance of linking social capital, bridging is most likely to have only a partial presence in their strategic activities, compared to bonding, due to the difficulty of relating to a diverse business network system (Davidsson and Honig, 2003).

The theoretical premise that decentralization has been linked to organizational learning has been endorsed by some studies (Blume et. al, 2009). The shortage of relevant research on decentralized organizational learning is emphasized by Levinthal and March (1993), who explicate the complexity of the phenomenon. “If one’s own actions are embedded in an ecology of the actions of many others (who are simultaneously learning and changing), it is not easy to understand what is going on. The relationship between the actions of individuals in the organization and overall organizational performance is confounded by simultaneous learning of other actors” (Levinthal and March, 1993:97).

However, exploring this complex relationship and its dynamics is important for understanding Diaspora’s potential to reduce failure of newly established TE ventures through fostering the balance between consolidated and decentralized learning. Failures of newly established companies are most often related to the so-called “liabilities of newness” (Stinchcombe, 1965), liabilities of smallness (Hannan and Freeman, 1977; Aldrich and Auster, 1986; Singh, 1990), as well as “liabilities of foreignness” when non-native companies are considered (Zaheer, 1995). These ideas are explored below.

Liability of Newness

This concept has been extensively discussed in the past decades and the survival of new ventures found to be significantly associated with the ability to overcome the liabilities of newness (Bruderl and Schussler, 1990; Freeman et al., 1983). The lack of established tangible and intangible resources, as well as company specific capabilities, that mature companies have is the core of the liabilities that new ventures encounter (Stinchcombe, 1965). Hannan & Freeman (1977, 1984) stated that the deficiency of the aforementioned leads to disproportionate rates of failure.

Morse, Fawler and Lawrence (2007) have identified four sets of arguments that clarify why and how new ventures are affected by liabilities of newness. The first one is related to companies' need to establish organizational roles and systems that would develop routines in the operations (Beekman and Robinson, 2004; Nelson and Winter, 1982; Shepherd et al., 2000; Stinchcombe, 1965). New ventures that have not yet established routines in their business operations are disadvantaged because of the weak internal organizational structure. The development or acquisition of rules and routines is associated with high costs for firms (Nelson and Winter, 1982; Schoonhoven et al., 1990). Moreover, delays in the establishment of a working organizational structure might cause serious inefficiencies and high accumulative costs, which again threat the existence of companies from the moment of their creation (Hannan & Freeman, 1977; Hinings and Greenwood, 1988; Stinchcombe, 1965).

The second set of arguments proposed by Morse et al. (2007) examines the trust advantage that established companies have built through the long interaction with external parties such as suppliers, legislators, etc. Many newly established organizations have weaker social networks and therefore often rely on parties that are not in their arm-length surrounding, which results in more precarious business relations (Goldberg et al., 2003; Stinchcombe, 1965). That inability to interact predominantly with familiar parties leaves room for opportunistic behavior that could be pernicious for any startup (Gambetta, 1988; Lewis and Weigert, 1985). Furthermore, new ventures might also be disadvantaged by their unattested legitimacy that could limit their relations with potential clients and partners (Morse et al. 2007).

The third set examines the shortage of social capital available to business startups (Davidsson and Honig, 2003; Greve and Salaff, 2003). Being a major link to resources essential for survival and growth, social capital is often limited for new companies (Morse et al. 2007).

The fourth set considers the limited economic capital available to newly established organizations as a major characteristic of the liability of newness concept (Oviatt and

McDougall, 1994; Vesper, 1990). The lack of adequate financial backing makes fresh companies susceptible to fierce competition or economic fluctuations (Pfeffer and Salancik, 1978; Starr and MacMillan, 1990).

The aforementioned sets of arguments clarify the hard situation in which new ventures can get trapped if unable to overcome the liabilities associated to their newness. Nevertheless, there are other factors that can further challenge TEs' existence in the host country market environment.

Liabilities of Smallness

The concept of liabilities of smallness (LOS) emerges from organizational ecologists' hypothesis that small new ventures experience diminished survival prospects when compared to large ones (Aldrich and Auster, 1986). This observation is supported by the differences of financial and non-financial capital that entities of different size have. The larger the available capital, the higher will be companies' abilities to withstand turbulent times and cope with shocks from the environment (Brüderl et al., 1992).

Distinguishing liabilities of newness and smallness is often very challenging because new ventures more often than not start small (Wholey and Brittain, 1986). Moreover, "the effects of newness and smallness are often confounded and collinear" (Kale & Arditi, 1998:458). The core assumption that allows us to differentiate both strands of liabilities is that not all organizations are small from inception (Aldrich and Auster, 1986). Prior research that measured the effect of LON and LOS on performance has found that while both have a negative impact, the influence of LON is generally stronger (Halliday et al., 1987). In addition, "Freeman et al. (1983) found that increased size reduces the liability of newness but that there is still liability of newness when they control size; they conclude that size cannot alone eliminate the liability of newness" (Kale & Arditi, 1998:459). For these reasons, the author believes the exploration of LON should not be coupled with LOS, and this study focusses on LON. Nevertheless, there is another strand of liabilities that the study considers: that of liabilities of foreignness.

Liability of Foreignness

The concept of liability of foreignness (LOF) is commonly described as the additional cost of conducting business activities in a host country, a cost that native actors do not usually incur (Hymer, 1976; Kindleberger, 1969).

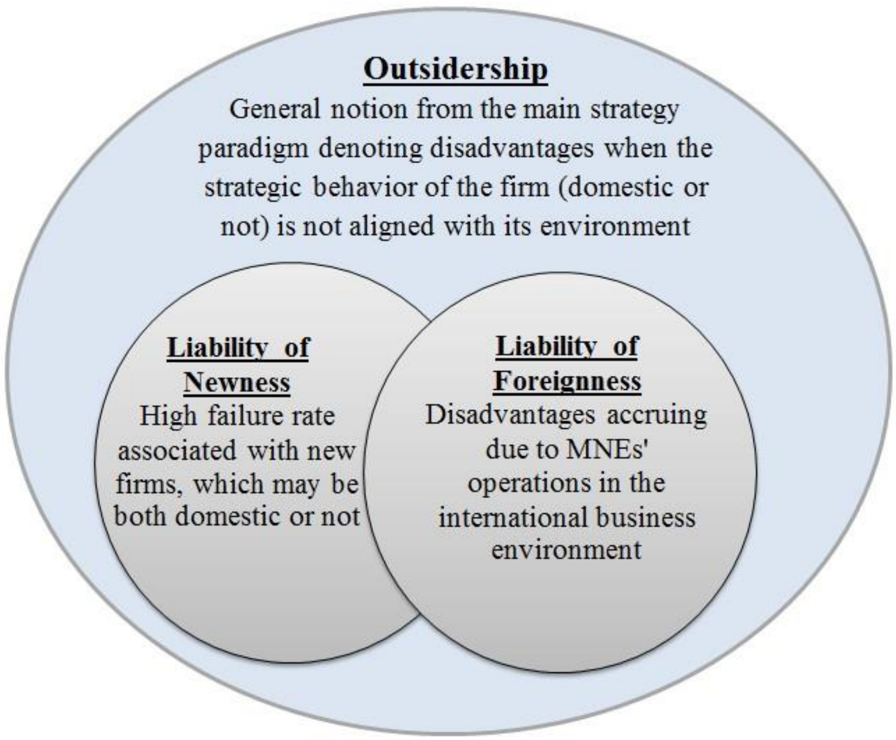
The costs originate from new actors' difficulty in efficiently managing of the country-specific knowledge wells and flows. The desired management efficiency is often obstructed by the actors' inability to overcome social and cultural forces, which create intangible barriers to one's entrepreneurial growth and tangible effects for the business development, such as errors or delays (Lord and Ranft, 2000). The friction between host and home countries' cultures disrupts actors' market integration attempts and undermines legitimacy (Zaheer, 1995). As a result, it could be proposed that the liability of foreignness manifests as both lower integration capacities and weaker legitimacy. In management and international business research, legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or desirable within some socially constructed systems of norms, values, beliefs, and definitions" (Suchman, 1995:574). Moreover, legitimacy is actually viewed as an element that opens doors to important resources in the host country; in that sense, it is often regarded as a characteristic that amplifies integration. This notion is also supported by Schmidt and Sofka (2009), who clearly state that "a lack of legitimacy can be perceived as a "liability". In addition, the scholars better explicate what had been implied by Zaheer and Mosakowski (1997) beforehand, namely that the same deficits characterized by the LOF concepts "stem from a lack of exposure (liability of newness), resources (size) or cultural roots (foreignness)" (Schmidt and Sofka, 2009:462). Furthermore, Schmidt and Sofka (2009:462) show that the liabilities of newness, size (i.e. smallness) and foreignness have the same foundation as they are dependent on forces that are "sociological in nature and [that the liabilities of newness, smallness and foreignness] have structural, relational and legitimacy dimensions (Zaheer, 2002)".

Barriers in communication and understanding are principle causes of the LOF (Schmidt and Sofka, 2009), but the differences between "entrepreneurial" and "non-entrepreneurial" modes of communication and understanding put native actors in a similar position - unable to fully integrate and capitalize on the market environment and its opportunities from the very moment their venture is established. New actors, like foreign ones, also suffer from the lack of initial legitimacy, which also obstructs their business activities. Especially in today's highly internationalized market and globalized society, the symptoms, characteristics, and effects of the LON and LOF are shared to a great extent, particularly in cosmopolitan environments, such as the City of London. All of them translate into higher uncertainty, business errors and risks, and lower productivity (Lord and Ranft, 2000). In addition, not only are liabilities of foreignness, newness and smallness similar in scope, but their endurance is also comparable (Zaheer and Mosakowski, 1997). Therefore, firms need to find ways to overcome the burdens of the LON and LOF and secure coherence in interfirm and intrafirm communication until the business actors adapt to the environment and build the necessary legitimacy that would give credibility to their operations.

The concept of LOF is further expounded by Zaheer (1995), who groups the causes of LOF under four interrelated headings: spatial distance, unfamiliarity with the particular market environment, discrimination, and potential restrictions originating from the home country. Later, Eden and Miller (2004) identified three sources of LOF into three groups: unfamiliarity, relational and discriminatory. However, in both cases LOF is viewed simply through the prism of the traditional home-host country spectrum, which is dyadic in nature.

Nowadays, "the business environment is viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers" (Johanson and Vahlne, 2009: 1411). Therefore, theorizing on the traditional dyadic home–host country stance might not be relevant anymore when considering the causes of LON and LOF. The same proposition is suggested in Johanson and Vahlne's (2009: 1411) statement: "outsidership, in relation to the relevant network, more than psychic distance, is the root of uncertainty". Therefore, the traditional understanding of the concepts of LON and LOF is now to some extent challenged. In this study, we acknowledge the interrelatedness of the business environment and utilize the abovementioned debate on the underpinnings of LON and LOF in order to attack their common roots, as illustrated in figure 2.1.

Figure 2.1: General Liability Paradigm, adapted from D. Sethi and S. Guisinger (2002)



All groups of costs (e.g. unfamiliarity, relational and discriminatory) could be linked to both the newness and the foreignness of a venture, pointing to outsidership as the common root. This, in turn, is important for exploring the TE companies' plans for tackling these liabilities. In that sense, the current study intends to take the strategy angle and expand the conceptualization of the pending liabilities, previously based predominantly on the distinction between MNEs and their subsidiaries, and the traditional dyadic home–host country stance.

The concept of LOF has been predominantly contextualized by the exploration of MNEs and the difficulties that they face when entering a new market, rather than the difficulties faced by TEs and other small firms. The intention of the current study is to be more reflective by taking into account the differences in the characteristics of MNEs and TEs when identifying the relevance of the historical understanding of LOF to this distinct pattern of entrepreneurial activity. The understanding of the LOF concept should take into account the level of reflexivity that the business entities possess; that is, the ability of a business actor to identify and act upon the available socialization dynamics in order to achieve social mobility and integrate into the social/business structures of the host environment. For example, an agent or an entity with high reflexivity could be argued to possess higher adaptive capacity and better absorb the norms and codes of conduct in the environment. The higher reflexivity would empower the business entity to embrace "procedures, norms, rules, and forms" from the new environment, which could establish a suitable organizational code of action for approaching the host country knowledge sources (March, 1991:73). On the other hand, entities with low social reflexivity are very likely to experience more difficulties in achieving social mobility and integration. It is this social reflexivity that is likely to distinguish MNEs from TEs; therefore, a more reflective approach towards LON and LOF that takes into account the differences in the characteristics of the different types of business entities is needed.

Offsetting vs. reducing liabilities

Research on liabilities of newness and foreignness has been dominated by studies that explore the causes of these strands of liabilities. Two conceivable strategies for coping with these liabilities are, first, to offset them by developing a superior competitive advantage, or, second, to reduce them. However, "less attention has been devoted to the question of how international firms reduce their liability of foreignness" (Petersen and Pedersen, 2002:339).

Although it is known that "local firms have the general advantage of being better informed about their country: its economy, its language, its law, and its politics (Hymer, 1960). [… The] entrant firm can learn about these conditions" (Petersen and Pedersen, 2002:340). This is an extension of Zaheer and Mosakowski's (1997) proposition that the LOF is expected to diminish as time goes by. Petersen and Pedersen's empirical findings suggest that foreignness related liabilities are not static costs, but vary inversely with the knowledge gained in the specific environment. The hazards are likely to diminish as the agent becomes more knowledgeable about the business environment, a pattern which makes it sensible to collapse both sets of liabilities into one group, as both are instigated by the lack of legitimacy in the particular setting and both could be reduced by building up knowledge. The interesting question, then, is what is an efficient way to acquire the abilities necessary to reduce the LON and LOF.

"[As] Casson (1996) has pointed out, it is difficult to conceive psychic distance patterns of firms [which are under the pressures of LON and LOF] without assuming some sort of scope economies with respect to learning about foreign market environments" (Petersen and Pedersen, 2002:341). Likewise, Barkema et al. (1996) identify "centrifugal" (i.e. gradual) expansion patterns accompanied by learning as a more appropriate model of development for foreign ventures than more unsystematic (i.e. sudden) ones. However, they only concentrate on the duration of operations and the ownership structure of an entity (wholly owned subsidiaries vs. joint ventures), which implies the existence of a gap that can be addressed by transnational entrepreneurship and newness research.

When discussing the survival and the development of a non-native business venture in a host country, it becomes relevant to consider Kogut and Singh's (1988) suggestion that cultural distance matters. Cultural distance has been regarded as a factor that negatively affects organizational outcomes: the higher the cultural distance, the higher the management costs of running a company.

Based on the foregoing, it seems logical that TEs might be looking for a way to decrease cultural distance in the new environment while simultaneously attempting to increase knowledge. To alleviate the potential friction resulting from the host and home countries' cultural and social differences, which disrupt actors' market integration capacity and undermine legitimacy (Zaheer, 1995), new TE actors might capitalize on the opportunity to use the legitimacy that they are granted based on their cultural and social similarities with the ethnic Diaspora members. The initial acceptance in a Diaspora network might be an opportunity for the transnational agent to initiate centrifugal integration into the host country environment and acquire the necessary knowledge for realizing wider legitimacy of operations. In that sense, the Diaspora is expected to act not only as a cultural facilitator, but also as a mechanism for reducing the liabilities of newness and foreignness. This leads us to ask the following question:

> **Q1**: *How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness?*

By building upon the relevant research, the current study hopes to illustrate a theoretical model that incorporates TEs' learning endeavors and illustrates their efforts to cope with liabilities through diminishing them.

2.4 Operations in an Interorganizational stratum

Access to Diasporas for particular nationals is relatively easy because of the group-level characteristics that Diaspora organizations have. According to Portes and Zhou (1992) group-level characteristics are described by two major theories: "bounded solidarity" and "enforceable trust". "Bounded solidarity" is formed by immigrants based on their foreign status in the host country. This leads to a sense of being culturally different, and the common origin and heritage link co-ethnic members and shape a community.

The other characteristic, "enforceable trust", is a mechanism that encompasses members' unwritten promise to follow established codes of conduct. Any violations of the accepted norms are sanctioned through the community's ability to grant higher or lower status to members or to exclude them if necessary (Portes and Zhou, 1992).

The blend of the aforementioned characteristics is rooted in the structures of Diasporas and creates prospects for gaining rich social capital and great opportunities for entrepreneurial development (Zhou, 2004). The quality of an entrepreneurial network is inevitably highly dependent on its internal characteristics, including its density, diversity, centrality, reachability, and the availability of weak ties (Granovetter, 1982; Cromie and Birley, 1992).

Density is the degree of interrelatedness between members of the entrepreneurial network (Carson et al., 2000). It is measured by the number of members who act as intermediaries when an entrepreneur attempts to access information or receive help from a particular party. The higher the interconnectedness, the easier it will be for information to circulate within the network organization and the more extensive the volume of the information and the opportunities stemming from it are (Jenssen and Greve, 2002). Although participation in a group with high interrelatedness is vital for business growth and development[2] (Carsrud et al., 1987), exclusive dependence on such groups might limit the entrepreneurs' range of vision and prevent them from accessing the diverse types of knowledge that can only be found in groups with dissimilar members possessing backgrounds and experiences strongly distinct from one another's (McGowan et al., 2008). By contrast, developing inter-group ties and taking a bridging position that links different groups from the same network system will open up new opportunities for an entrepreneur (Burt, 2000).

Diversity in the network represents the multiplicity of professional and knowledge backgrounds available to entrepreneurs (McGowan, 2000). The heterogeneous nature of the network is another crucial requirement for building a quality network that could assist a venture's development (Birley et al., 1989; Aldrich et al., 1997). The inability to design a high diversity network will diminish the potential benefits for the members (Birley et al., 1991; Burt 1992) and will adversely affect the amount and quality of information obtained (Carson and Cromie, 1991). Although the research clearly shows the drawbacks of low diversity networks, Brown and Duguid (2000) have indicated that the topography of Diaspora networks is shaped by the common practices within them. This allows the members of a Diaspora to establish internal social networks through

[2] Because of the quick diffusion of information, knowledge, and opportunities.

which knowledge can be more quickly transferred and more easily absorbed than it will be in the rest of the organization. However, the distinction of internal social networks and the exchange of knowledge in a smaller circle might lead to significant diversity loss.

The term reachability is used to refer to the links and the ease of access to people who are not in close contact with the entrepreneur (Aldrich and Zimmer, 1986, Cromie et al., 1994, McGowan 2000). It is related to the centrality of the entrepreneur in the network, which depends on the number of actors in the entrepreneur's circle and the distance between them. The higher the centrality of the entrepreneur, the more control and access she/he has (Johannisson, 1986; Bryson et al., 1993). The high centrality of a member implies the person's evident participation and contribution to the general network system (McGowan et al., 2008) and the ability to build authority over different internal groups of practice.

Entrepreneurs establish different relationships within and outside of their immediate network, some of them being what Granovetter (1982) defines as weak and others as strong. Stronger ties denote greater frequency of communication and collaboration, embodying closer friendship, whereas weaker ties denote the looser links characteristic of acquaintances. The distinction is based on the frequency of contact and the degree of interaction that the entrepreneur maintains (Krackhardt, 1992). The availability of weak ties in particular is another crucial factor determining a network's overall quality, as they allow an informational exchange that goes beyond the limitations imposed by systematic social interactions (Granovetter 1982). The maximization of benefits derived from the network demands the achievement of a balance between strong and weak ties (Johannisson, 1986; Dubini and Aldrich, 1991).

The consideration of all the aforementioned dimensions of quality is necessary for the establishment of a beneficial network system that provides support to transnational entrepreneurs in their attempts to establish and develop competitive business ventures. The awareness of their high dependency on a network's internal characteristics (density, diversity, centrality, reachability, and weak ties) motivates transnational entrepreneurs to acknowledge their strategic importance and seek to attain goals in all of these dimensions.

Scholars have made extensive attempts to explicate the potential gains originating from network embeddedness and how being an active member of a social network helps business entities (Echols and Tsai, 2005). However, less is known about the origin of transnational entrepreneurs' embeddedness and their abilities to recognize, and strategize toward realizing, a high-quality personal network rich in all the aforementioned dimensions. It is the intention of this study to take a close look at TEs' strategy for building embeddedness. Unlike "organizational sociologists [who] have typically viewed network formation as driven by exogenous factors, such as the distribution of technological resources or the social structure of resource dependence" (Gulati and Gargiulo, 1999:1440), this study focuses on endogenous factors that could affect the actors' social mobility and the degree of embeddedness. Although the "exogenous approach to tie formation provides a good explanation of the factors that influence the propensity of organizations to enter ties, […] it overlooks the difficulty they [social actors] may face in determining with whom to enter such ties" (Gulati and Gargiulo, 1999:1440), which suggests that the exogenous approach could not fully illuminate the specificities and the dynamics occurring when executing social mobility. Recognizing the difficulty, which transnational entrepreneurs experience when attempting to cooperate with key experienced and resourceful actors is of significant importance as it allows us to better capture how TEs maneuver in a challenging environment, defined by not only the peculiarities of the host-market environment, but also those of the social one.

The difficulty new actors face lies in the challenge to build awareness of the capabilities available within the network, of their own needs, and not least, of how to present themselves as reliable partners who can contribute to other companies' operations (Van de Ven, 1976; Stinchcombe, 1990). These processes can be observed in the Diaspora networks TEs inhabit. However, although social networks have been known for their supportive impact on companies battling uncertainty, the particular strategies for entering such domains and becoming equal members remain unclear. The entry of new members can result in asymmetries of information about actors' potential within the network, and this in turn increases the perceived risk of opportunism (Gulati, 1995; Gulati and Singh, 1998). The increased cost adversely affects the ability of a new actor to build embeddedness, and may even lead to his/her refusal by the community due to related fears.

How newcomer TEs manage to overcome this barrier is an important question, demanding careful examination of the strategic premises and actions. Undoubtedly, however, operationalizing the available network knowledge and resources would necessitate lowering the socially perceived risks for incumbents of collaborating with a new actor by building a stable, positive image (Dore, 1983; Powell, 1990). It is likely that if embeddedness seekers manage to overcome the scarcity of information about their own reliability, they will be socially accepted. This belief is based on the notion that potential partners' behavior and reliability are vital prerequisites for the success of any kind of partnership (Gulati, 1995). This regularity is especially true for partnerships founded on voluntary cooperation (Coase, 1952), where the fear of higher transaction costs due to unpredicted opportunistic behavior is a major concern.

Nevertheless, once granted operational access, the entrepreneurial actor gains multiple social and professional opportunities, which facilitate the actor's integration into the host-country business environment. This source of opportunities emerges due to the fact that "over time, these 'embedded' relationships (Granovetter, 1985) accumulate into a network that becomes a growing repository of information on the availability, competencies, and reliability of prospective partners" (Gulati and Gargiulo, 1999:1440).

Accessing the repository of knowledge and information should be relatively easy unless the homophily principles are not dominant in the network (McPherson et al., 2001). As a result of the observed homophily, actors who possess high embeddedness have an inclination to cooperate with parties of the same or higher social levels. This observation of network researchers seems reasonable as it coincides with the idea of social mobility, characterized by actors' continuous attempts to gain prestige by linking to other central and resourceful parties. Furthermore, the notion of homophily and its presence in social networks confirms that actors possess high uncertainty avoidance and attempts to reduce the likelihood of opportunistic behavior by favoring companies that have already been involved with. Gulati and Gargiulo (1999) see homophily dynamics as an important factor in the reproduction of interorganizational networks, which is characterized by the tendency of embedded entities to scan their currents partners' networks of ties to locate other embedded entities for potential cooperation.

Nevertheless, it is unthinkable to completely reject social mobility theory by excessively relying on the homophily principles and adopting the view that low-power actors, such as immigrant entrepreneurs, are doomed to remain at the periphery of the social network. Furthermore, there is plenty of evidence in the academic research that proves the unsustainability of extreme embeddedness resultant from a strict homophily orientation. Collaborating exclusively with the same social actors or entities escalates interdependence to unhealthy levels and raises the probability of failure when attempting operations outside the comfort zone (Granovetter, 1973; Podolny, 1994; Uzzi, 1997).

Moreover, when embeddedness is unbalanced, its usefulness in diminishing the risk of opportunistic behavior when collaborating with other parties might be more than offset by forgoing the potential benefits stemming from collaborating with other, non-central actors. "Although embeddedness mitigates the uncertainty involved in interorganizational collaboration, it can cause firms to ignore potentially successful alliances, produce systematic biases, and make substantially flawed judgments" (Ahuja et al., 2009:943). Due to the uniqueness and the value of their resources, unembedded collaborators are occasionally cherished contributors to the success of the subject of cooperation (Mitchell and Singh, 1996). Currently, the notion that peripheral entrepreneurial actors possess different valuable tangible or intangible assets has become pervasive in the literature. This notion has been founded on the work of institutional change scholars such as Leblebici, Salancik, Copay and King (1991) and McLaughlin

(1998; 2000), who argue that separation from the homogenizing forces that operate within the core of a network structure allows actors to develop original thoughts and create new practices. In that sense, peripheral actors are increasingly associated with the introduction of novelty and initiation of institutional change. The novelty that academic research associates with peripheral actors, and the incentives that core actors have to link to less embedded ones, are most often characterized by technological innovations (Gulati and Gargiulo, 1999). The recognition of the potential value that peripheral actors can bring suggests that it is unsustainable for embedded companies to rely excessively on network reproduction.

Moreover, regardless of the predisposition of embedded network members to follow the homophily principles, research has shown that low-power actors do have room for growth in networks. Although unembedded actors differ from the embedded ones in their lack of recognition and the resource and reputation benefits such recognition confers, research has shown that it is possible for these actors to link to other peripheral ones with the intention to gain more experience (Emerson, 1972; Cook, 1977; Baum et al., 2003). However, as suggested by Ahuja et al. (2009), this strategic orientation to other socially low-powered actors has been associated with important limitations. The collaboration between unembedded parties is equally, if not even more, unpredictable when the chances of opportunism is considered. Uncertainty is only increased when both parties lack the social recognition of their community of practice. Moreover, even if it is easier for an entrepreneurial actor to relate to others of the same kind, it remains important to consider what the mutually created value could be.

These proposed cases pose many questions about the formation and the sustainability of such peripheral formations. The discussed contingencies might hinder the identification of the unembedded actors as suitable business partners. On the other hand, as Ahuja et al. (2009:944) note:

> Information about the capabilities and reliability of central firms can reach poorly embedded actors even in the absence of direct or indirect links between them, due to the higher social visibility associated with centrality (Podolny,

> 1994; Gulati and Gargiulo, 1999). Thus, information availability creates greater incentives for peripheral firms to form alliances with central firms.

Regardless of the propensity of central network actors to adopt the homophily principles of cooperation, research has illustrated that it is possible for peripheral actors to build higher network visibility and become embedded within a social/business organizational structure (Rosenkopf et al., 2001). As previously mentioned, most of the discussed cases when a low-visibility entity manages to build higher embeddedness are related to the impact of exogenous events, such as the emergence of a new technology, which central business entities would be eager to capitalize on. In order to get access to a high-potential technology-related opportunity, already embedded firms would grant institutional access to the peripheral innovator. In that sense, technological disruptions could also disrupt the status quo in the network.

However, focusing only on exogenous events as the primary instigators of social mobility is misleading. New business actors are highly likely to lack any technological advantage and therefore cannot offset the lack of social resources with promising, easily commercialized technological resources. Therefore, overreliance on the conceptual principality of the exogenous factors would unduly bias observers against new business ventures and the likelihood of their success in building embeddedness.

Prior work has suggested a different, endogenous approach, which is believed to empower peripheral actors to achieve higher social position without the necessity of offsetting their disadvantaged network position with disruptive resources. “If less embedded actors could link up with more embedded actors, they could then use the ties to access other more embedded actors and slowly become more embedded themselves. […] Exploring the theoretical and empirical viability of such a mobility strategy remains an unaddressed task” (Ahuja et al., 2009:942). Despite Ahuja’s (2000:340) proposition that not only technical and commercial capital, but also social capital can help low-embedded actors to climb the ladder, he himself points out that further research in this direction is necessary, partially because “greater attention was attached to the roles of technical and commercial capital, and social capital was treated as facilitative” in his study. The author, however, acknowledges that certain social ties might have equal or greater role in the social mobility process than commercial and technical capital. This ambiguity demands further investigation, along the lines suggested by Ahuja (2000:340), exploring “who links with whom” in order to determine the structure of cooperation, which “would be a useful counterpoint to the work examining the ‘structure of competition’”.

The need to build or sustain competitive advantage is a strong stimulus for interoganizational collaboration. This incentive may result in partial separation from the homogenized network core for the sake of gaining exposure to original thoughts and creating new practices (Leblebici et al., 1991; McLaughlin, 2000). Thus, embracing uncertainty by going beyond bonding times and developing bridging ties is in some instances desired mean to introducing organizational advancement. However, there is no high road to organizational advancement. Moreover, it is often difficult to foresee how exactly collaborating with an external party will add to a network incumbent’s business value.

A particularly useful tool that sheds light on “understanding how to make decisions in the absence of preexistent goals” is Sarasvathy’s (2001:244) effectuation theory. To show the fundamental characteristics of this theory Sarasvathy introduces an analogy with cooking.

There are two approaches to cook a meal. First, to have a clear plan of what you want to prepare and then buy the ingredients – an approach that she refers to as *causation*. Second, to look at what is available in the kitchen and make a choice based on the present ingredients and utensils – an approach she refers to as *effectuation*. It is argued that the second approach is more prevalent in moments of high uncertainly, often the case with entrepreneurial processes.

The principal difference between causation and effectuation is, respectively, “choosing between means to create a particular effect, versus choosing between many possible effects using a particular set of means” (Sarasvathy, 2001:245). In the context of the current study this means that network incumbents may look for peripheral collaborators in possession of particular resources or capabilities that will lead to a predicted organizational advancement, or can establish a multiplex relationship that has the potential to bring various, unpredicted, positive effects. When adopted, the second perspective (i.e. *effectuation*) assures exposure to original thoughts and ideas that may not be foreseen by the entrepreneurs.

Nevertheless, one is not superior to the other; what is more, both can occur simultaneously and are fundamental parts of the reasoning process (Sarasvathy, 2001). Sarasvathy suggests that "causation rests on a logic of prediction, effectuation on the logic of control" (2001:243). This suggestion, when applied to the context of the Diaspora network and tie formation, highlights the co-existence of *causation* and *effectuation*. Network incumbents *predict* that the contact with peripheral actors may have a positive effect on the company's ability to innovate, yet they realize and try to *control* for possible opportunistic behavior, by establishing criteria for collaboration.

When determining the structure and the patterns of cooperation it is imperative to understand the motivation for a collaboration process to take place. Research suggests that the most pervasive incentive for the development of interorganizational embeddedness is for companies to respond to the challenges they face together in their environment, and that doing so necessitates efforts for both resource procurement and uncertainty reduction (Gulati and Gargiulo, 1999). Obtaining resources and reducing uncertainty appear central for members of interorganizational networks. This suggests that even if a peripheral entrepreneur has a resource that the already embedded members value, the members' "uncertainty reduction" aspirations will also play a role in developing the new actor's embeddedness. Already integrated network members rely on their interorganizational embeddedness to reach key knowledge or capabilities that would assist them to reach sustainable levels of development, or even market competitiveness. Nevertheless, the enactment of control through particular control mechanisms valued within the network remains an important risk mitigation tool in the interorganizational environment.

In order to understand what the control mechanism is, it is reasonable to build an awareness of the characteristics of interorganizational relationships (IORs) and the transactions and linkages that occur within the network. A good starting point is Oliver's (1990) seminal work, which presents six sets of "environmental contingencies" that encourage interorganizational ties. Each of these sets will be explained further below after expounding the seminality of the work and its relevance for the current study.

2.4.1 Interorganizational relationships (IORs)

Oliver (1990) achieved a breakthrough in the study of the causative factors underlying relationship formation by introducing six comprehensive factors that influence relationship realization and which network actors seek before entering relationships, namely: necessity, asymmetry, efficiency, stability, reciprocity and legitimacy.

What makes these determinants particularly relevant for application in the current study on transnational entrepreneurs' embeddedness is the fact that "the contingencies explain why organizations enter into relations from an organizational (top-management) perspective" (Oliver, 1990:242). Therefore, the employed top-management perspective is in harmony with the entrepreneurial level focus of the current study.

Necessity

According to Oliver (1990), a company occasionally builds relatedness to a particular organization under the influence of authoritative administrative bodies (e.g. governments, agencies, etc.), which impose certain regulatory requirements. Although an accurate statement, this determinant of interorganizational relationship is not relevant in the currently explored case, as higher authorities do not appear to interfere in the relational processes by imposing such regulations.

The current study accentuates voluntary communication, exchange and collaboration between parties. For that reason, more emphasis is placed on the remaining five of Oliver's (1990) interorganizational relationship determinants - all of them of a voluntary nature.

Asymmetry

The *asymmetry* determinant delineates a power approach, characterized by actors' attempts to apply authority in an effort to establish control over an entity that holds valuable or scarce resources. This determinant of business relationship development is defined by the prospects for a socially authoritative network actor to influence other network members (Hakansson and Ford, 2002).

Efficiency

"Efficiency contingencies are internally, rather than externally, oriented. In this situation, the formation of an IOR is prompted by an organization's attempt to improve its internal input/output ratio" (Oliver, 1990:245). The author suggests that business organizations view IORs as a gateway to efficiency prospects related to cost reduction, higher return on assets and market knowledge increase.

This view is in accordance to Ebers (1997:15), who claims that:

> Firms engaging in inter-organisational networking may enjoy comparative advantage over self-sufficient firms, because they can draw on specialized yet complementary partner contributions that extend the resource base and capabilities of the networked firms, and can entail production cost advantages.

Stability

"Another critical contingency of relationship formation is stability (predictability). In research on IORs, the formation of relations often has been characterized as an adaptive response to environmental uncertainty" (Oliver, 1990:246). The creation and administration of interorganizational relationships is associated with beneficial outcomes such as predictability, reliability and stability, which reduce uncertainty in exchanges with others. In this perspective, interorganizational relationships are viewed as a promising means of achieving higher collaborative knowledge or co-production, which ultimately increase the entities' stability.

Reciprocity

A considerable part of prior work on interorganizational relationships and embeddedness has been based on the assumption that reciprocity is an integral part of business embeddedness. Reciprocity enables the coordination of collaborative activities and enhances the speed of the exchange processes. Furthermore, it secures the transactions against opportunism without the need for exerting power. In this perspective, Oliver (1990) argues that domination is not the driving force of the business relationship, but rather the pursuit of mutual benefit through balance and harmony.

The purposeful establishment of reciprocity is a strategy that should not be underestimated, as it is common for a company's competitive advantage to be based on collaborative networks (Gulati et al., 2000).

Legitimacy

The last determinant, *legitimacy*, also takes a central role in Oliver's sets of contingencies. The author states that legitimacy is "a significant motive in the decision for organizations to interconnect" (Oliver, 1990:246). Building legitimacy is an imperative for managers, who make every effort to conform to the institutional pressures imposed on their companies and assure that they conform with the network norms and values. Realizing legitimacy is related to the processes of achieving an overall positive image, in which reputation and prestige are pervasive.

2.4.2 Interaction between determinants

The discussed determinants - asymmetry, efficiency, stability, reciprocity and legitimacy - are considered as the foundations of voluntary organizational embeddedness. "Although each determinant is a separate and sufficient cause of relationship formation, these contingencies may interact or occur concurrently" (Oliver, 1990:242).

What follows from this is that if a company possesses all, or some, of the listed determinants prior to achieving complete functional access to the business network, then the chances are that the firm would be highly valued within the interorganizational environment. This is due to the assumption that "[o]rganizations consciously enter into relations for specific reasons within the constraints of a variety of conditions that limit or influence their choices" (Oliver, 1990:242).

Other members would like to absorb the knowledge of the actors who possess the specific capability or competence they are lacking. As a result, already embedded parties might be willing to decrease the social distance to peripheral actors of interest and consequently engage in complementary operations. This assumption is based on Oliver's (1990) conviction that every company joins an interorganizational network with the intention to develop, upgrade or update certain characteristics positioned within the listed groups.

Ultimately, the reasons for joining a network (the exogenous determinants), illustrated in the aforementioned sets, could play a major role in peripheral actors' attempts for building embeddedness. In that manner, the determinants that are exogenous from the perspective of already embedded actors could necessitate peripheral actors' recognition of their own endogenous determinants of embeddedness. Promoting the endogenous determinants within the business network stratum may increase social visibility and the proximity between entities, and ultimately facilitate interorganizational embeddedness.

It follows that the possession of one or several sets of determinants increases overall reputation. Reputation is a generic term characterized by companies' capability to emit signals of their "alterable observable attributes" to the network (Spence, 1974:107). According to Money et al. (2010:763), exploring the reputational dimensions of a company requires researchers to identify the "important characteristics in which partnerships are perceived and to understand emotional or behavioral responses from stakeholders as a consequence".

Building upon Oliver's (1990) groupings of determinants of interorganizational relationships has allowed satisfying the demand by Money et al. (2010) to identify the essential endogenous characteristics on which embeddedness candidates are evaluated. Having done this, we will be able to better understand the consequent behavioral reactions (in terms of granting embeddedess) by stakeholders in the network context, a theme that is the focus of the current study.

A company's overall appeal (also known as its reputation) "is often defined and measured in terms of the perceptual elements that make up the characteristics of a firm" (Money et al., 2010:762). It is argued that reputation within the network context has a complex structure encompassing Oliver's (1990) five determinants. The attainment of reputation increases social visibility and facilitates achieving embeddedness.

2.4.3 Types of Embeddedness

Prior network research shows that the timely extraction of relevant knowledge and information regarding the capabilities, desires and the trustworthiness of prospective collaborators depends on actors' strong or weak ties or "the reputation that results from the potential partner's position in the network of preexisting alliances. Each of these sources of information is related to specific network mechanisms that shape the creation of new embedded interorganizational ties" (Gulati and Gargiulo, 1999:1446). For that reason, it is important to distinguish the different types of embeddedness as proposed by the above authors and position the orientation of the current study, as well as its intended contributions, towards a specific network mechanism.

Relational Embeddedness

The notion of relational embeddedness is used for the close collaboration between social actors, characterized by the presence of strong ties and direct interaction (Gulati, 1998). This network mechanism is defined as "personal relationships people have developed with each other through a history of interactions", which suggests closeness, solidarity, social identity and trust established over time (Nahapiet and Ghoshal, 1998: 244). The proximity between the partners stimulates high relational quality and readiness to engage in resource exchange (Moran, 2005).

Structural Embeddedness

While “relational embeddedness or cohesion perspectives on networks stress the role of direct cohesive ties as a mechanism for gaining fine-grained information ... Structural embeddedness or positional perspectives on networks go beyond the immediate ties of firms and emphasize the informational value of the structural position these partners occupy in the network” (Gulati, 1998:296). The concept and the importance of structural embeddedness can be traced back to Granovetter's seminal work "The Strength of Weak Ties" (1973), but it was not until 1998 that a more functional definition was developed. Nahapiet and Ghoshal (1998:244) delineate the concept as “the impersonal configuration of linkages between people or units”. This definition suggests a major shift in the network mechanisms, in particular the transition from the stable dyads (typical for *relational embeddednes*s) to the less stable triads (emblematic for *structural embeddedness*).

In this case, the inclination to conduct structural cooperation is characterized by the exploitation of weaker ties, for example companies linked to a common partner. Due to this structural process, connectivity and centrality emerge as structural features, important for the collaboration to take place (Moran, 2005).

Positional Embeddedness

The notion of positional embeddedness is characterized by the impact the actors’ network position has on other embedded members and more specifically, how the position influences the tendencies of cooperation with new ties. “Positional embeddedness is rooted in network models of equivalence and centrality that capture the ‘roles’ actors occupy in a system […]. As a mechanism that influences alliance formation, positional embeddedness goes beyond proximate direct and indirect ties and highlights the informational benefits that ensue for organizations from particular positions in the network” (Gulati and Gargiulo, 1999:1448).

This implies that an entity's network standing is positively related to the access a company would have to knowledge stemming from entities that are not in dyadic or triadic relationship with the actor. The importance of the access to such knowledge is characterized by attaining awareness of potential opportunities that span beyond one's immediate zone of recognition.

The benefits that positional embeddedness proposes are twofold. On the first hand, a company's social visibility will enable other entities to regard it as an attractive and trustworthy potential partner. At the same time, actors that have positional embeddedness are observed in various social cognition studies to possess social screening capabilities that allow them to identify partners with whom collaboration is less likely to be threatened by opportunism (Gulati, 1999; Powell et al., 1996). "The signaling property of network positions is particularly important in uncertain environments, because it introduces systemic reputational differences among organizations that extend beyond their immediate circle of direct and indirect ties" (Gulati and Gargiulo, 1999:1448). Because of the difficulties related to operating in a complex, foreign business setting, transnational entrepreneurs could theoretically benefit from the mentioned above "signaling property of network positions". This characteristic of positional embeddedness makes it a very useful construct for exploring transnational entrepreneurs' embeddedness in an uncertain environment.

For that reason, the current study adopts the positional embeddedness orientation when exploring the network dynamics within the TE network. The study scrutinizes how the specific network mechanism affects transnational entrepreneurs' social standing and their attempts to realize social mobility and higher embeddedness. As a result, the theoretical contributions of the study are directed toward enriching the academic insight on this particular type of embeddedness.

2.4.4 Reciprocity/Collaboration Aptness predictor

As noted above, reputation is a generic term characterized by companies' capability to emit signals of their "alterable observable attributes" to the network (Spence, 1974:107). A company's overall reputation "is often defined and measured in terms of the perceptual elements that make up the characteristics of a firm" (Money et al., 2010:762). The attainment of reputation increases social visibility and facilitates achieving embeddedness.

Reputation and reputation creation are concepts actively explored by different academic fields, including entrepreneurship (Cable and Shane, 1997; Shane and Cable, 2002), economics (Celentani et al., 1966, Marimon et al. 2000), psychology (Bromley, 1993; Karlins and Abelson, 1970), sociology (Hage and Harary, 1996; Buskens, 1998) etc. Reputation has been associated with the notion of indirect reciprocity, which according to Alexander (1987) encompasses the reputation and status that are constantly reconsidered by the members of a network group. His work implies that reputation and status are fundamental when conducting social interaction and an integral part of human relations. Nowak and Sigmund (1998, 2000) have also referred to reputation by employing the term image to indicate the beneficial position that individuals gain by engaging in reciprocal behavior. Reciprocity norms are embedded in social strategies and denote the analogous response to positive and negative reactions (Ostrom, 1998).

Realms such as Diasporas, in which applying reciprocity norms is expected behavior, provide a motivation for building reputation to assist internal reciprocal engagements (Kreps, 1990; Milgrom, *et al.*, 1990; Ostrom, 1998). It is believed that a high reputational index in an environment that demands reciprocity leads to increased flexibility and aptness (Nowak and Sigmund, 1998). This notion shapes reputation as an asset that has implications for members' readiness to engage in reciprocal interaction with a particular individual (Dasgupta, 2000; Tadelis, 1999).

A prevalent way of improving the prospects for collaboration between companies is the selection of associates by employing a particular predictor of the desired business conformity and compliance (Grandori and Soda, 1995). In this study, it is argued that multifaceted reputation is a sufficient predictor of business collaboration aptness. Once employed by the majority of the social actors within the transnational network, the employed predictor of the success of business collaboration becomes a driving force that shapes the access to and the coordination with communities of practice (CoPs) within the greater Diaspora system.

DiMaggio and Powell (1983) propose three explanations for why the consistency of business strategies within the same network might occur: coercive isomorphism, mimetic isomorphism and normative isomorphism. The first one denotes the influence that government institutions and state regulations wield on business ventures, forcing them to establish consistent strategies under the threat of government support suspension or other penalties.

The second concept, mimetic isomorphism, refers to the imitation of the practices and strategies of other ventures operating within the same cluster in high uncertainty environments. Imitation of practices usually occurs deliberately due to entrepreneurs' uncertainty in the host-country business environment but might also occur unintentionally as a result of information exchange processes within the Diaspora network (DiMaggio and Powell, 1983).

The last concept, normative isomorphism, explains consistencies of business operations due to the similar background and professional networks of the participants. DiMaggio and Powell (1983) assert that information exchange through networking or employee migration will inevitably lead to homogeneity of business practices.

Therefore, theoretically, any of the three types of isomorphism is a powerful enough contingency that might shape the employed reputation predictor of collaboration aptness as a "litmus test", which TEs conduct to understand whether an entity is good for reciprocity. The current study proposes that once employed by the majority of the social actors within the transnational network, the implementation of the "litmus test" becomes a driving force that defines the access to and the coordination within the greater Diaspora structure. To test this proposition, the following research question is asked:

> **RQ2**: How do t*ransnational entrepreneurs successfully realize and manage business embeddedness at the interorganizational level?*

2.5 Theoretical Framework

Research in transnational entrepreneurship is still in its infancy and lacks an integrative framework that can serve as a foundation to explain the strategy development processes in transnational entrepreneurial firms and to assist in building an empirical analysis. To explore the nature of the performance and the strategy development processes in transnational entrepreneurial businesses of Bulgarian immigrants in the UK, the proposed research will utilize an integrative model of strategic management perspectives.

Examining transnational entrepreneurship through a strategic management lens will contribute to understanding the process of making decisions and the factors that influence their implementation. A number of studies have used a strategic management approach in examining entrepreneurship (Perks and Bounken, 2004; Barringer and Bluedorn, 1999). The theoretical framework of these studies has been limited to the Resource-Based View (RBV), which highlights the importance of skills and tangible and intangible resources for the creation of sustainable competitive advantage in the marketplace (Penrose, 1959; Barney, 1991; Peteraf, 1993; Wernerfelt, 1984).

However, in order to understand the fundamentals of strategic behavior in transnational entrepreneurial firms, it is essential to rely on a more integrated theoretical toolbox. As the American psychologist Abraham Maslow has said “If the only tool you have is a hammer, you treat everything like a nail”, in accordance to this remark, the current study avoids hammering transnational entrepreneurs’ strategic behavior with the use of an atomistic theoretical approach, but rather tries to identify a holistic one.

Although the RBV explains the importance of valuable, rare, and inimitable resources for the creation of competitive advantage, it does not explain why and how some entrepreneurial companies "have competitive advantages in situations of rapid and unpredicted change" (Zucchella and Scabini, 2007:86). One orientation that appears useful in this respect is networking theory. Research has shown the importance of social and network capital in entrepreneurial companies (Nahapiet and Ghoshal, 1998). However, although networks have been considered crucial to TE, there is a lack of theoretical and methodological engagement with social network analysis in the existing TE research (Chen and Tan, 2009:1079).

This study aims to discuss the nationality effect on transnational entrepreneurs' strategy development processes by taking into consideration the interrelations between the networking and social capital links of the entrepreneurs. Chen and Tan (2009) have recognized that the socio-political ties between the host and the home countries are vital to immigrants' participation in transnational activities. As Drori, Honig and Wright (2009:1017) highlight, "the TEs' success may depend on their ability to maintain an appropriate balance between the home and the host environment". This implies the importance of managers and their particular actions for positioning their companies within a complex and dynamic transnational setting. Nevertheless, managers' role remains largely overlooked, particularly in the RBV, but also arguably in the networking theory. Current research suggests that, in addition to resources (social and non-social capital), it is also necessary to examine resource-related processes: "what a firm *does* with its resources is at least as important as *which* resources it possesses" (Hansen et al., 2004:1280; see also Kraaijenbrink et al., 2010). The current study is in line with the notion that resources alone are not sustainable sources of competitive advantage, but rather the effective structuring, bundling and leveraging of these resources (Sirmon and Hitt, 2003, Sirmon et al., 2007, Sirmon et al., 2011).

For that reason, the current study adopts *the resource orchestration* theory, a perspective characterized by the operationalization of resources through process-focused dynamic capabilities (Sirmon et al., 2011). Sirmon et al. (2011), who developed the resource orchestration framework, regard the theory as a synthesis of resource management and asset orchestration. On the one hand, the model forms the basis for the better illustration of the role of business leaders within the resource-based logic. On the other, it encompasses resource management's fundamental portfolio processes, namely, *structuring* (characterized by acquiring, accumulating and divesting resources), *bundling* (characterized by stabilizing, enriching and pioneering), and *leveraging* resources (through mobilizing, coordinating and deploying).

The harmony between the two foremost components in the framework - resource management and asset orchestration - is preserved by their common and complementing characteristics. Both emphasize the notion of organizational learning, as well as the role of the manager and his/her resource-related endeavors for the realization of value creation (Sirmon et al., 2011). These combined characteristics allow the effective application of the resource orchestration theory in the current Diaspora learning context in which TEs operate.

Furthermore, the complementing association between the two frameworks is promoted by their link to the RBV: *resource management* has a direct link, as it draws from RBV, while *asset orchestration* has an indirect link via the dynamic capabilities concept (Helfat and Peteraf, 2003). The great fit between these conceptual strands motivates the rise of resource orchestration as a comprehensive theoretical framework capable of examining capability and resource-based logic.

In this context, the study employs an integrated framework of analysis, which is believed to facilitate the discussion on dynamic capabilities, while examining TE in relation to the nationality effect, resource-based and social capital perspectives. In contrast to previous research that discusses vaguely and separately the influence of these perspectives on TEs' performance (Drori et al. 2009), the framework we utilize shows how the dynamics and the pressures between these perspectives translate into strategy development in the transnational entrepreneurial businesses determined to overcome the liabilities of foreignness.

CHAPTER THREE

Research Methodology

3.1 Introduction

This section justifies and describes the adopted research design, evaluating its strengths and weaknesses. The aptness of the selected research design, as well as its limitations, is assessed through the prism of transnational entrepreneurship and the research questions presented in the previous chapter.

We begin with a discussion of the social science paradigm employed here and the reasons for using a qualitative approach. Subsequently, the rationale behind the selection of the research methodology, the data collection techniques and the data analysis approaches are all explicated and their constraints elucidated. In conclusion, issues of validity, reliability and ethics are discussed, which further contributes to the reinforcement of the research design in the face of potential criticism.

3.2 Research philosophy and approaches

3.2.1 Ontology and Epistemology

Constructionism

This research begins from the ontological premise that realities are of a socially constructed nature (Easterby-Smith et al., 1991). Consequently, the employed philosophical assumptions are of constructionist nature (Crotty, 1998). The constructionist epistemological stance asserts that human beings construct meaning based on their engagement with the realities in the social and physical environments (Crotty, 1998).

> “These meanings we are taught and we learn in a complex and subtle process of enculturation. They establish a tight grip upon us and, by and large, shape our

> thinking and behaviour ... Our cultural heritage can therefore be seen as pre-empting the task of meaning making…" (Crotty, 1998:79)

The constructionist paradigm is useful for examining transnational entrepreneurs operating within the social boundaries of their ethnic Diaspora organizations. Diasporas, as cultural heritage incubators, construct collective meaning. These meanings are thought and shared among transnational entrepreneurs through the process of enculturation and have influence on their thinking and behavior (Crotty, 1998). The collective meaning, built upon cultural commonalities, is a peculiar type of resource-based model implemented in the internal ethnic environment and serving the role of a strategic resource. Due to its heterogeneous nature and steadiness, that resource-based model is the basis for the establishment of young transnational ventures in the ethnic foreign market and of their competitive advantage in the broader foreign market.

This interpretation is particularly relevant to the knowledge construction process employed by transnational entrepreneurs. Although the environment and the objects in it are by themselves meaningless, they are important enablers in the construction of meaning (Crotty, 1998). Specifically, the interpretation of the surrounding environment plays an important role in the establishment of activities and tactics by transnational entrepreneurs.

3.2.2 Theoretical perspective – Interpretivism

Strengths and reasons for selecting the theoretical perspective

This research puts emphasis on the importance of the social networks in the decision making and strategy formation processes. Therefore, strategy, as directly dependent on social actors, would be better analyzed through the interpretivist, rather than the positivistic, perspective. An interpretivist approach asserts that multiple realities exist and all of them depend on context rich settings, which is believed to be a better fit in the specific research case.

The interpretivist perspective sees business situations as compound, complicated and distinctive, each having a unique nature that is difficult to represent with uniform statements or generalizations (Saunders et al., 2009). The appropriateness of this perspective is also strengthened by Pettigrew (1979, 1997), who claims that strategy development is a process strongly rooted in its context. As Pettigrew (1997:340) notes, "the irreducible purpose of a processual analysis remains to account for and explain the what, why and how of links between context, processes and outcomes"; without exploring the links the research might become "pragmatically endangered".Maritan and Schendel (1997:259) state that "there has been surprisingly little work that has explicitly examined the link between the processes by which strategic decisions are made and their influence on strategy". It appears that this remains largely unaddressed even nowadays (Sminia and de Rond, 2012), and since we aim to fill this gap, the type of analysis to which Pettigrew refers makes it particularly relevant to this task.

Most studies on strategy have focused on discrete decisions, rather than on the holistic process, because they are relatively easy to identify and appear of strategic importance (Chakravarthy and White, 2006). Nevertheless, isolated processes are only a fraction of the series of decisions and endeavors that constitute a strategy. Therefore, if a research is to comprehensively examine the strategy process, it should concentrate on a broader range of decisions and actions, the links between them, the available shaping forces, and how these dynamics accumulate into strategy (Chakravarthy and White, 2006).

The strategy process "traverse[s] multiple levels, bridging the cognitive processes of individual decision makers, the social psychological and/or political processes within groups of individuals" (Chakravarthy and White, 2006:183). Thus, the interpretivist theoretical perspective is preferred as it is capable of handling the rich context of various linkages across multiple dimensions.

The interpretive theoretical perspective attempts to determine the reasons people engage in a particular action or behavior by exploring the "motives and the rules, which provide the orientation for their actions" (Blaikie, 2000:115). For this reason the interpretive perspective can help us understand why transnational entrepreneurs construct particular strategies, what the resulting expectations are, and whether and how social embeddedness fits into strategic planning.

Interpretivism, as defined by Blaikie (2000), has the purpose of exploring mutual knowledge created by social interaction; this knowledge, he argues, is continuously used and modified by the interaction of the actors of the social organization, but remains mostly unarticulated and difficult to access. We believe that employing interpretivist theoretical perspective can best examine the idiosyncrasies in the Diaspora context of the present research study.

Limitations of the theoretical perspective

Although the interpretivist theoretical perspective is a good fit for the research and facilitates the understanding and exploration of the research phenomenon, it is not without limitations. The holistic nature of the approach raises questions about the generalizability of the research findings derived with the aid of this theoretical stance (Blaikie, 2000).

Another potential limitation is resultant of the empathetic stance toward the participants that researchers might adopt when employing interpretivism (Saunders et al., 2009). The researcher's empathetic position creates a risk of emerging favoritism and bias, and the interviewer should always beware as this might result in skewed research findings.

3.2.3 Qualitative versus Quantitative approach

Strengths and reasons for selecting the qualitative approach

A qualitative approach is used here. Qualitative research methods usually involve small samples and are used to explore phenomena that are not proportionally distributed in the society and therefore hard to scrutinize using quantitative methods (Dillon et al., 1993). Moreover, qualitative research enables the researcher to reveal respondents' motivations and attitudes (Polonsky and Waller, 2005). Such an approach allows us to tackle the questions addressed by this research.

Another motivation for preferring qualitative over quantitative research is Kaplan and Maxwell's (1994) argument that broader social and institutional contexts are often lost and the participants' point of view largely misrepresented once data is quantified. Therefore, given the exploratory nature of the study and its aims to enrich the relevant literature by exploring the complexities of the formation and implementation of strategic decisions, a qualitative approach is believed to better serve the needs of the study.

Limitations of the qualitative approach

A noteworthy limitation of qualitative research, however, is the lower generalizability of the results that does not allow for drawing conclusions relevant to the whole population of transnational entrepreneurs (Polonsky and Waller, 2005). Examining only a pool of Bulgarian TEs, and only the ones situated in a particular context, makes generalization even a more difficult task. Nevertheless, the purpose of this study is exploratory and the objective is to enrich the dearth of relevant research and build theory through examining human phenomena. Thus, the qualitative approach facilitates building theories, whose replicability can later be tested with quantitative methods.

3.2.4 Abductive research strategy

Justification for the strategy

The adopted research strategy is abductive, rather than inductive or deductive. The abductive approach requires that data and theoretical ideas are intertwined and data is continuously reinterpreted by the emerging theories. According to Blaikie (2000), the resultant research study is a derivative of the relation between data and existing theory, facilitated by the academic investigator. In this sense, the researcher starts by having a clear understanding on existing theories, which are then used as a quasi-accessible mechanism that guides the discovery of more relevant theories. Existing theories serve as an input, which together with the new empirical findings promote the completeness of the exploratory process. The theory that originates from this process is likely to better fit already existing knowledge frameworks, while successfully filling the revealed knowledge gaps. This can arguably result in more focused theoretical additions of an increased practicality, which create theoretical fusion rather than theoretical fragmentation in the field.

Therefore, the main factor that distinguishes the abductive from the inductive strategy is the iterativity of the former. The process of arriving at the answers to the research questions when using abductive strategy goes through repeating cycles of analysis, with theory constructed throughout the process, rather than at its beginning or end. The objective is that each round of analysis will bring the researcher closer to the core of the research phenomenon.

The abductive approach is particularly relevant to the purposes of the research as it creates scientific accounts out of the social accounts of the people directly involved in the process (Blaikie, 2000). In the same way, the present research will analyze entrepreneur-level organizations, where the entrepreneurs are directly involved social participants. The implementation of the abductive strategy is believed to facilitate the derivation of business concepts and theories, which originate from the entrepreneurs' social engagement in the environment (i.e. the language and meanings used by entrepreneurs) (Blaikie, 2000).

Moreover, the notion that the abductive approach is closely related to a variety of interpretive approaches, also used in this study, provides a consistent framework for the exploration of the research topic.

Limitations of the selected research strategy

Although the abductive research strategy is a good fit for the research and facilitates the proper understanding and exploration of the research phenomenon, it is not without limitations. However, the limitations of that strategy are also shared by the other strategies. The common problem of most research strategies originates from the researchers' potential difficulty in separating their personal perspective from the data collection and analysis (Blaikie, 2000); their prior knowledge, experiences and background might blur their lenses.

The advantage that the abductive strategy has over the other available research strategies lies in its ontological and epistemological stance. In abductive research strategy the social reality and the social actors' knowledge are intertwined, and therefore the researcher can use his personal background to enter the social reality as a native, which will be the closest a person can be to a specific social reality (Blaikie, 2000).

3.2.5 Ethnographic Approach

Strengths and reasons for selecting the ethnographic approach

This study adopts an ethnographic approach based on the narratives of transnational entrepreneurs from Bulgaria. Ethnography promotes direct observation of research phenomena and seeks to describe the consciousness and the perception of the social actors of interest (Blaikie, 2000). The procedure requires studying a limited sample of individuals through in-depth examination for the purpose of constructing patterns of meaning (Goulding, 1998).

Ethnography, however, provides an accurate account of the researched topic through recognizing the fundamentals of actors' direct experience with the explored phenomenon as shared by entrepreneurs (Arnould, 1998). According to Schutz (1962), the participants' narratives best represent the social reality explored by researchers. Therefore, this research scrutinizes the discourse of transnational entrepreneurs in order to build a full understanding of the employed learning model that is believed to occur in their social environment.

Rogoff (1995) recommends that researchers of learning environments examine three layers – personal (the entrepreneur's experience), interpersonal (one-on-one communication and exchange) and community (the diaspora interactions), in order to get a full grasp of the occurring dependencies. Ethnography is believed to assist the attainment of a comprehensive and thorough understanding of the social actors, the organizations in which they operate, as well as the broader context that shapes their maneuvering (Myers, 1999). Therefore, Rogoff's recommendations for researchers of learning environments is best achieved through employing ethnography.

Moreover, ethnography has been considered a particularly appropriate tool that supports information system research (in this case the information systems within Diaspora networks) by providing researchers with rich awareness of the personal, organizational and social features embedded in the information system (Myers, 1999).

Ethnography has been highly regarded due to its significant role in the research of information and knowledge systems in organizations. It has been considered important for literature discussing the development of information networks (Myers and Young, 1997, Orlikowski, 1991, Suchman, 1995), the management of such systems (Davies, 1991, Davies and Nielsen, 1992) and the impact they have (Randall et al., 1999). Therefore, it seems reasonable to assume that ethnography can handle the multi-layer analysis that is required for the ample exploration of transnational entrepreneurs' participation in cross-border entrepreneurship activities and the information networks they are embedded in.

Moreover, in ethnography placing a phenomenon in its social context is of key importance, which is also relevant to the aim of the current research study (Lewis, 1985). The awareness of the social dynamics surrounding a phenomenon is important as the social embeddedness influences entrepreneurs' perception of rationality. A particular strategic action is rational only when surrounded by explicit systems of meaning, views and social principles and beliefs (Hammersley and Atkinson, 1995). The ethnographic approach "considers multinationals not as rational, goal-directed economic actors but as forms of transnational communities, and therefore offers a different starting position to that of much of the IB literature" (Sharpe, 2004:306).

Ethnography offers a comprehensive approach for examining the linkages between micro-practices and macro-structures, as well as how changes in different micro-practices affect the greater institutional structures (Sharpe, 2004). Therefore, ethnography helps to fully understand the position of transnational entrepreneurs not only in the regional communities, but also in the broader business environment. The approach facilitates the necessary in-depth empirical analysis of how transnational entrepreneurs develop and implement strategies. Ethnography's capability for examining the connection between micro-practices and macro-structures could also be applied to the study of how TEs' reputation building as a micro-level practice affects the macro-structure, the overall network, in terms of creating higher interrelatedness and social dependency among network participants.

Limitations of the ethnographic approach

The main limitation of ethnography is the difficulty in replicating results. While this is a common limitation for all research methods that explore human behavior, as it is never static, ethnography also endures some criticism (LeCompte and Goetz, 1982).

Ethnography focuses on processes that occur in natural settings; therefore, these processes can hardly be reproduced (Wiersma, 1986; Burns, 1994). The natural setting in which ethnography takes place impedes the control over external variables, which can additionally hinder replication (Wiersma, 1986).

At the same time, research conducted in natural setting is capable of representing reality in a very precise way, which exceeds the reality represented or created through other methods in a research laboratory (Burns, 1994). Moreover, the structures of experimental control, relevant to other research methods, should not be applied on ethnography, as this might result in manipulation of the researched phenomena, will falsify the natural occurrence and might hamper the construction of robust analytical categories (LeCompte and Goetz, 1982). Only because ethnography looks into real practices and activities that occur within complex social, cultural or political systems does it allow frameworks to be formed by the researcher and used by not only academic scientists, but also practitioners (Harvey and Myers, 1995).

Ethnography enables the researcher to find the best match between existing scientific catalogues and the observed reality[3] (Burns, 1994). For that reason, it is important to

[3] This is because ethnography allows the researcher to better operationalize the abductive approach, which as already mentioned takes existing theories as an input that together with the new empirical findings lead to social scientific accounts and patterns that better match the observed reality and existing theoretical foundations.

exploit the benefits that the method provides, while acknowledging and hopefully minimizing the effect of the potential replication constraint.

Although it is possible for an ethnographic study to result in theory that can be generalized (Yin, 1989; Walsham, 1993; Harvey and Myers, 1995), the potential replication limitation is further addressed by the researcher through the establishment of a comprehensive account of the procedures employed in the analysis. This facilitates the reconstruction of the original analysis and increases the overall replicability of the research (Wiersma, 1986; Burns, 1994). A large group of researchers, including LeCompte and Goetz (1982), Pelto and Pero (1978) and Spradley (1979, 1980), has defended the view that replication could be only achieved through full identification and a comprehensive report of the employed data collection tactics.

3.3 Data Collection Methods

Due to the ethnographic nature of the methodology and in order to further strengthen the validity of the findings, the study involves a combination of semi-structured interviews, participant observation and oral/life stories when appropriate.

3.3.1 Research interviews

Strengths and reasons for selecting the method

The data collection method that has been acknowledged as the best fit for the researched questions is in-depth, semi-structured, cross-sectional interviews. This technique is assumed to best meet the nature of the research as it is often regarded as a tool that facilitates the construction and development of research (Oppenheim, 1992). Furthermore, Piekkari and Welch (2004) have noted that interviews are particularly appropriate for theory construction in exploratory studies, which additionally validates the selection of the technique.

The spontaneity of the interview participants and the openness of the dialogue can hardly be achieved by employing another research method. Moreover, the value of employing the interview approach is additionally increased by the restricted sample size, as Piekkari and Welch (2004) note that the fewer the total number of conducted interviews, the better can the researcher control for unexpected situations and therefore the more developed the method becomes.

Interviews are assumed to be an unsurpassed method for illuminating the interviewee's true stance (Piekkari and Welch, 2004). However, even though a suitable method in this particular case, interviews, if passive, will not yield the data needed to satisfactorily answer the research questions. This problem may be exacerbated by the alert nature of business owners, who are averse to losing their competitive advantage by sharing thoughts with interviewers (Goffman, 1959). Therefore, the interview method requires enhancement through the active involvement of the researcher in the process. Both active involvement and active planning before and during the process are crucial for acquiring the data essential to answering the research questions.

Active interview

Active interviews have long been considered unconventional due to the previously established notion that interviews are a passive way of acquiring knowledge. The notion that the interviewee is the central personage in the process and that the interviewer has to be a neutral figure shaped the general belief that an active involvement in the interview is incorrect. This understanding was later highly critiqued by researchers who claimed that interviewers' attempts to diminish their presence in the interview exchange are doomed to failure (Holstein and Gubrium, 1995; Houtkoop-Steenstra, 2000). While a predominant number of qualitative researchers recognize the interactive nature of interviews, some fail to acknowledge the need to maximize the flow of information derived from that interaction (Gorden, 1987).

Interviews are not immune to favoritism, bias, inaccuracies, misinterpretation, or even misdirection. All of these constitute a group of issues that can best be minimized by the corrective authority of the interviewer. The interviewer not only channels the information flow, but also seeks, purifies and conveys the desired information. Furthermore, the commonly accepted idea that meaning is socially constructed empowers interviewers to take an active role in the process without worrying that their involvement might skew the data (Cicourel, 1964; Garfinkel, 1967). The notion that both parties play an important role in the process was later reaffirmed by Mishler (1991) and Silverman (2001), who claim that interviewers' role is to unearth the relevant data by designing the framework of questions and prompts.

In the conformist approach, interviewees are viewed as passive *vessels of answers*, providing accurate and objective answers to every question that is asked. This approach excludes the possibility that the respondents might hide part of the information or deliberately distort their reflections, experiences, or facts. Obtaining accurate information for sensitive cases, such as particular business activities, might be especially difficult if the interviewee is risk averse.

A lot of methodological research on interviewing recommends the formulation of veiled questions and the creation of an atmosphere that would facilitate communication by overcoming the interviewee's defensive attitude (Goffman, 1959; Weiss, 1994), in contrast to the conventional approach, which suggests detachment from the situation and letting the interviewee shape the information flow and share only what is convenient for him or her. The validity of the interview might be severely affected by the assembled partial information, which may later cause manipulation of the results of the study.

To prevent such scenarios the active interviewer's role is to stimulate the interviewees' responses by narrowing the scope of the answer and demanding more focused information. The activeness of the interview conductor often leads to the disclosure of narratives, knowledge, strategic orientation and examples that would otherwise remain invisible during a conventional passive interview (Schutz, 1967). Active interviews unfold issues of interest in greater depth but also require greater interpersonal skills and longer preparation.

For the purpose of this study, the preparation of active interviews has been separated into two steps: 1) active preparation before the interviews and 2) active involvement during the interview process, which will be discussed below.

Active Preparation before the Interview

The form, content and order of questioning and the use of prompts

The initial preparation is often regarded as crucial for the successful conduct of an interview (Evans-Pritchard, 1937). Although it is known that researchers cannot prepare for every eventuality in an interview, well thought out and constructed interview questions always lay the foundations for successful interaction and communication. Moreover, the unimpededness of an interview is often directly related to the way the questions are designed and the degree to which a “hidden agenda” is integrated (Dexter, 1970; Douglas, 1976; Tourangeau and Smith, 1996; Miller and Tewksbury, 2001). For that reason it is imperative to start the analysis of the conducted interviews with a discussion about the form, content and order of questioning, the use of prompts and how they impact the interview process and direct the issues arising.

The interview structure used in this research aimed at providing a framework of questions for 60- to 90-minute interviews with semi-structured and in-depth characteristics. The design integrates open-ended questions that were developed to smooth and assist the narrative sharing. The interviews were conceived as three separate sets of questions, each serving a unique purpose.

Although the starting set of questions did not provide focused information directly relevant to research topic, it had the purpose of bridging the two parties by implying the informality of the process (Douglas, 1976). Furthermore, this category had the purpose of diminishing potential power dynamics related to the interviewee’s perception of the researcher as an expert in the field and eliminating the notion that the interview is an examination process (Freilich, 1970; Briggs, 1986). The first set of questions was intended to make the impression that no wrong answers exist and the interviewee is the only person to provide expertise and will not be judged under any circumstances. Questions that had that particular function include: “Would you tell me about your background and your life before the opening of the company?”, “What/who influenced your decision to establish this particular kind of venture?”, “Would you think that the business environment changed since the establishment of your company? In what way, if any, it has affected your company and your decision making?”.

The informality of the questions in this section was intended to reduce the initial tension and facilitate the extraction of more open narratives from the interviewee. Moreover, the gradual transition of the questions from more loose to more focused was believed to create a natural flow and ease the storytelling while increasing the *detaility* of the shared descriptions and chronicles.

The next set involved questions strictly relevant to the research problem. This section was designed to provide highly focused information that is considered critical for this research (Dewalt and Dewalt, 1998). For that reason, this was the most extensive set of queries and the only one to encompass the “hidden agenda” concept.

Given its importance for the research, this section requested highly structured and explicit responses. Despite the clear nature of the selected questions, prompts were employed for the purpose of ensuring the clarity of the responses. Interviewees were asked to go into greater detail with their narratives when a question of a particular interest was discussed. The use of prompts assisted in gaining an in-depth perspective that resulted in the better understanding of the information provided (Weiss, 1994).

The last part of the interviews brought the dialog to a logical conclusion. The interviewees were indirectly signaled that the interview is nearing its end because of either information depletion or the interviewees’ reluctance to reveal additional information. However, to prevent potential information loss or omission, the interviewees were given the opportunity to talk about anything that they considered related to the topic but that has not been already covered. This approach increased the freedom of the other party and allowed them to continue in a direction that he or she felt more comfortable with. This method gave the researcher another opportunity to reengage the attention of the interviewee even when the predetermined time for an interview was exhausted.

Extending the interviewee's comfort zone

Proactive interviewers are detail oriented and take into consideration all aspects of the interview process. Creating a safe environment, in which interviewees feel comfortable, often has implications for their inclination to participate actively. Despite being aware of potential drawbacks such as high noise levels and distraction for the interviewees, the interviewer complied with the participants' preferred locations for the conduct of interviews as this increased their confidence levels and willingness to transfer knowledge.

Trust is another powerful factor that influences information flow. Information sharing is much easier between parties that have already established some kind of relationship, for example colleagues, business partners etc. (Ellis and Mayer, 2001). Although the interviewer did not have that advantage, as an active interviewer the researcher obtained comprehensive information about the interviewee and used it to create a bridge to the subject of interest when conducting an interview.

Another opportunity for building trust arose when asking for approval to record the conversation. In case of a positive answer, the interviewee was asked whether he/she would feel more comfortable with note taking only. This question served as an option for the interviewees to change their opinion in case they had impulsively answered without considering whether the recording device would affect their narratives.

A high level of comfort during interviews is crucial for the validity of shared information. For that reason, giving the interviewee the right to review and agree on the interview transcription should decrease the likelihood of uncertainty avoidance behavior on the part of the interviewee. Moreover, the establishment of a confidentiality contract between the two parties was believed to increase the validity of the acquired data, as the interviewees would feel more relaxed about providing information (Israel and Hay, 2006).

Active Involvement during the Interview

Despite the high compatibility of the chosen method and the nature of the topic and the careful design of the interview questions, the information provided in interviews might still be limited in scope and depth, and thus not suitable for theory building research. This is due to the manner in which an interview is conducted and the communication dynamics occurring during the process. Therefore it is important to examine how an active interviewer navigates through the turbulent interview process, while skillfully predisposing interviewees to share knowledge and insight.

Active Listening

Listening is a skill that plays an important role in active interviews. Seidman (1998) categorizes three different levels of listening and demonstrates their impact on the interview process. Due to the conviction that these stages of listening significantly enhance the quality and the reliably of the collected data, the three levels were employed in the data collection process.

The first level is surface listening, which is the substance of what the interviewee is saying. The concentration of the interviewer on that level not only helps for understanding the context, but also facilitates the overall assessment and the subsequent data reduction, including coding, the formation of categories, clusters and types. By paying attention the interviewer is able to track the development of the conversation while evaluating its comprehensiveness and relevance. Seidman (1998) suggests the importance of the internalization of the information derived at that stage, as it later shapes the flow of the interview by impacting the interviewer’s questions. Surface listening to entrepreneurs’ stories facilitated the researcher’s relatedness in the knowledge sharing process, which granted provisional access to the answers of subsequent questions.

The second level encompasses the evaluation of information through the prism of the interviewee’s personal knowledge and understanding. The interviewer needs to listen for what has been referred to as an inner voice (Steiner, 1978) rather than the outer voice, the voice used to present facts and experience to an audience. Although not false, the outer voice represents the caution of the interviewee through the use of non-descriptive language. The outer voice masks sensitive issues by hiding the emotions that the involved subject has experienced. In an active interview the interviewer should be aware of the outer voice and react accordingly in order to disclose the hidden meaning, in the face of the true factors influencing and motivating the strategy process. Careful listening on that level is believed to encourage the participant to provide more details. However, probing the word choice should not be overused as it might cause the interviewee to become even more defensive (Seidman, 1998).

The third level requires a total awareness of the interview process and the content. The interviewer should be conscious of not only how much has been covered in terms of both the time and the substance, but also how much energy the participant has to continue. The lack of energy might result in a loss of focus and might require the intervention of the interviewer. The interviewer must stay aware of the progress and should read the clues that the other party gives. Such a level of active listening is often hard to achieve. However, the process can be facilitated through note taking as it enhances overall concentration and provides the interviewer with the opportunity to keep track of the evolution of the process.

Patai (1987) defines the process of listening as a strong kind of concentration and attentiveness to the participant that often lead the interviewer to become greatly involved in the conversational process. Another way of achieving concentration, according to Patai (1987), is through strong personal interest in the topic, which motivates the interviewer to restrain his ego and let the participant explain in detail while the interviewer absorbs all the information.

Active Exploration

Although every interview requires extensive initial preparation and the interviewer has most likely prepared a set of questions and done background research on the topic and the participants, it is the responses of the interviewee that determine the flow of the process. No matter how far-reaching the preparation is, it cannot ensure total comprehensiveness as the interviewer needs to follow up on unclear answers and ask for clarifications, details, and related stories. An interviewer who does not take the initiative to actively probe often misses important information (Lincoln and Guba, 1985; Rubin and Rubin, 1995). Probing is particularly important for this research study as the chance of the entrepreneurs directing the interview to an unfamiliar practical or theoretical dimension is recognized and very likely. In that case, what entrepreneurs believe to be a key issue or of crucial importance for their activities needs be further explored through probing.

Active probing is vital in cases when the interviewer does not clearly understand an allusion or a reference. In ordinary conversations people tend to overlook the references they do not understand, but in research interviews this might undermine the information flow due to the cumulative structure of the process. Questions follow a logical order, and a gap in understanding might result in missing an important element in the interviewee's discourse later on. Probing not only prevents misunderstanding, but also shows the participant that the interviewer is interested and eager to know more.

Probing is also imperative when it is difficult for the interviewer to understand the chronological order of the stories. This might later have an impact on the causal analysis and therefore should be tackled during the interview. It is essential for interviewers to comprehend the shared experiences in the context of time; however, too much probing might make the participants defensive (Seidman, 1998). The key is that an interviewer implies his or her genuine interest in the details, rather than disbelief and suspicion.

Another tactic that is used in the study is role-playing (Patton, 1989). Patton (1989) suggests that researchers should take the opportunity to play the role of inexperienced or unknowledgeable individuals for the sole purpose of influencing the thoroughness of the subsequent narratives. A similar ploy has been offered by Becker (1954), who has claimed that playing the role of the unknowledgeable by asking easy and obvious questions would create the perception of the interviewer as a naïve and unaware individual. This approach is believed to result in more elaborated and detailed subsequent narratives as the participant will feel more comfortable and will talk in a more personal way (Spradley, 1979).

This will also make the participants tell a story rather than only share extracts of the whole picture. Stories often reveal characters and motivations, present interests, past conflicts and how the participants dealt with them, personal attitudes, as well as historical experiences – all factors necessary for clearly conveying the strategy formation, development and implementation (Mishler, 1986). Seidman (1998) has revealed that not all interviewees are comfortable with telling stories because they consider themselves not good enough at reconstructing their experiences and conveying them through narratives. However, this can be overcome if an active interviewer implements the aforementioned strategy.

Active Control

Although active interviewers must avoid a power struggle, as it increases the distance between the two parties, the interviewer should hold a firm position and show exactly what aspects of the interviewee's narratives are of interest (Becker, 1954). The interviewer should exercise enough control to direct the focus of the discussion. However, if the interviewer constantly asks the participant to focus on and illustrate a particular part, the technique will quickly lose its potency, and the interviewee will lose interest in sharing knowledge and experience.

For that purpose, the researcher aims at focusing the interviewee's attention on a specific issue of their narrative by repeating or summarizing the given answer. This technique not only enhances understanding of what the interviewee is saying, but also often provokes him or her to add details and more personal insight to an extent that they are afterwards surprised that they have expressed (Spradley, 1979) However, this could also have a negative effect if overused. Interviewers who reinforce the answers they acquire too much risk distorting the response of the participants (Richardson et al., 1965).

Another effective method that could be employed is the high tolerance of silence during an interview. Unaware of the advantage of silence, some interviewers become too uncomfortable at moments when the two parties become silent, which makes them quickly jump to the next question in order to break the increasing tension. Such actions often threaten the completeness of an answer and show the interviewer's inability to control the situation. Instead, if an interviewer has developed high silence tolerance, the pressure will transfer to the interviewee who is likely to increase the depth of his or her answer in order to break the silence. Additionally, participants sometimes need a few seconds in order to reflect and/or formulate their answers, and if interviewers interfere by changing the questions, this might cause loss of information. On the other hand, the overuse of this technique could turn tolerable silence into *embarrassing silence* that causes interviewees' defensive behavior (Gorden, 1987; Yow, 1994).

Limitations of the method

Although there are many reasons for the selection of the interview as the primary data collection method, it also has limitations. The validity of the research relies on the precise and truthful derivation of data from entrepreneurs. This process could be problematic, as there is no indisputable approach to how to unveil concealed information. However, without doubt, this necessitates the proactive seeking of methods for extracting information, which is a distinctive feature of an active interviewer.

Another limitation is the potential gap between the interviewer and the participant. However, this gap can be overcome with the employment of what Oppenheim (1992) defines as a "hidden agenda", which refers to the construction of questions that will indirectly extract the desired information. This unobtrusive tactic can hardly be attained with surveys due to their dearth of flexibility (Oppenheim, 1992). Another tool for bridging the gap, diminishing the aforementioned potential limitations and further increasing the validity of the research study, is the implementation of narrative research method, to which we now turn.

3.3.2 Narrative Research Method – Oral/life Stories

The use of narratives in this study is believed to compensate for the potential limitation of interviews. Abell (2004) takes the position that narrative representation and interpretation should be the primary resource for ethnographic research. According to Baumeister and Newman (1994), people tend to be naturally inclined to use narratives, as memory is most easily retrieved in that particular form. Moreover, more structured forms of recalling memory, through setting specific rules and instructions, such as interviews and questionnaires, are often less effective in bridging the initial gap between the two parties (Fiske and Taylor, 1991).

Strengths and reasons for selecting the method

A variety of motives could be offered to support the strong orientation toward stories in qualitative research. Franzosi (1998) emphasizes the importance of narratives, saying that most qualitative data consists of variation of narratives (i.e. stories). Bamberg (2007) goes a step further and finds that the analysis of narratives is an unsurpassed approach for grasping a wide range of experiences. Narratives as a type of discourse are assumed to fit the current research as they often serve as instruments for transmitting collective belief systems and explaining the collective actions of a community under investigation, which further facilitates the construction of ideas and the development of the analysis (Polletta, 2006).

Narratives are relatively easy to identify in text and speech, which, together with their centrality in understanding the cognitive process (Bruner, 1986; Polkinghorne, 1987) of self and community (MacIntyre, 1981; Carr, 1986; McAdams, 1993), makes them a technique well suited to the study of transnational entrepreneurs and their practices.

Since stories are a product of a person's life journey and consist of an array of events, narrative discourse can be expected to yield rich qualitative data (Ricoeur, 1984; Polkinghorne, 1987; McAdams, 1993). Moreover, stories are considered an intuitive and effective means through which individuals are able to portray themselves, the world and their personal goals and expectations. As previously discussed, the research aims at offering a holistic, as opposed to linear, account of the strategy creation processes that transnational entrepreneurs engage in. Therefore, past and present events are to be looked at in their greater context. Narratives help overcoming fragmentation of events by linking and presenting them in a logical and systematic order (Kearney, 2001).

Furthermore, narratives are not limited by the chronological order of events. Instead, they motivate participants to draw on their memory of the past and present events and to use that knowledge for building future plans and actions (Carr, 1986; Weick, 1995; Czarniawska, 2004). Empowering entrepreneurs to bridge past, present and future in real time facilitates the dialogue with the researcher and expands the understanding of the phenomenon.

Certain researchers using narrative research methods draw a line between event-centered research and experience-centered research. Although these orientations diverge in the analysis stage, there is a consensus about the role of narratives as “individual, internal representations of phenomena” (Squire et al., 2008:5).

There has been a gradual shift from the individually oriented narrative perspective to a more social dimension of the method, which has motivated the exploration of constructed stories for revealing embedded social patterns and effects. It has been recognized that stories go beyond simply the description of events to provide insight about the narrator’s identity and how it has been influenced by the cultural and social setting (Polletta et al., 2011). This concept can also be applied to shared identity in different communities and organizations. Knowing that “stories told by groups, communities, and nations created bonds of belonging and identity” (Polletta et al., 2011:113), collective identity could be traced back from the separate stories of transnational entrepreneurs. Therefore, the presence of a higher social structure that supports the actions of TE in the host country and the existence of social embeddedness on a community-of-practice level could be detected in entrepreneurs’ coherent stories.

Oral/life stories have been scrutinized in many studies for the purpose of exploring the multi-layered meanings rooted in stories, as well as individual and social attitudes.

Stories facilitate the communication and representation of embedded organizational paradigms, internal logics, different actions and the interaction within an organization (Czarniawska, 1997; Gerteis, 2002; Polletta, 2006). A researcher that capitalizes on these narratives would disclose deep ideological values that often remain hidden to outsiders (Polletta et al., 2011). This valuable tool thus represents a kind of Trojan horse in reverse, smuggling content *out* of the city, which can then facilitate the close examination of the essence of TEs' strategy development and the role of Diasporas and their values on transnational entrepreneurs.

Limitation of the Narrative Research Method

The assumption that narratives might have an independent social existence that does not always fully match the reality is seldom proved. However, the independent social existence of the story, if any, can be triangulated with the data collected through the other methods employed in this study, in order to identify stories that are dependent on (i.e. representative of) the established social reality. How successful this technique will be is contingent on the development of powerful and suitable analytical tools. A failure to design and employ a multidimensional analytical approach that does justice to the characteristics of the rich qualitative data might pose problems. In spite of these potential limitations the academic enthusiasm in employing the technique has not diminished and the conviction regarding its effectiveness in unveiling personal and social understanding is still widespread.

3.3.3 Participant Observation

Strengths and reasons for selecting the method

Following the adoption of an ethnographic approach for this study, it is impossible not to discuss, and employ, direct participant observation. It is often argued by anthropologists that practice could never be fully verbalized and for that reason interviews and narratives alone can only grasp a portion of the available dynamics.

> Just as the polysemy of words is filtered through the context of the sentence (Ricoeur 1981:12), we assume that the polysemy of acts and sub-linguistic

> representations is solved through the context of the situation, a notion introduced by Bronislaw Malinowski (1923), and internalized and elaborated on by later generations of anthropologists (Rudie, 1994:28).

Therefore, the observation of transnational entrepreneurs in their relevant work arenas sheds light on not only their direct business practices, but also their business and strategy orientation. Examining transnational entrepreneurs in action in the context of their workplace allows the researcher to observe not only the immediate situation, but – because the context of current action is characterized by past experiences, which have been internalized – also important aspects of the consciousness and history of the actor(s). The internalization of different past events, personal convictions and social beliefs creates behavioral patterns that transcend the situation unfolding before the researcher and intersect with any prior business or social practice (Rudie, 1994).

Participant observations achieve the desired balance between “doxa and opinion, between practical understandings that are never brought to the level of explicit discussion, and those that are explicitly verbalized and discussed” (Rudie, 1994:29). For that reason, the method is believed to facilitate the recognition of social actors' consciousness and perceptions. Participant observation is intended to provide an accurate account of entrepreneurs' patterns of meaning by taking into consideration the actors' direct involvement in the social environment as well as their observable response behavior toward different business-related activities (Goulding, 1998). Moreover, participant observation is a natural complement for ethnography as it facilitates the comprehensive exploration of native customs and the population's thinking patterns, while recording the available beliefs of the observed subjects (Royal Anthropological Institute, 1929).

Participant observations do not pose limitations when combined with other research methods. Quite the opposite, they allow the combination with research interviews and oral/life stories for the creation of an interrelated tool that extracts precise data.

> Direct observation supplemented by immediate interrogation is the ideal course; it is most satisfactory to begin an investigation into any particular subject by way

> of direct observation of some event, and follow it up by questions as to details, variations, similar events, etc. (Kirk and Miller, 1986).

Participant observation has been stated to be an intuitive approach that empowers researchers to operate in unfamiliar social situations and understand the hidden tacit rules that shape actors' response behavior: "All human beings act as ordinary participants in many social situations. Once we learn the cultural rules, they become tacit and we hardly think about what we are doing." (Spradley, 1980:53). Therefore, the difference between participant observer and the ordinary participant is the inability of the latter to reflect a situation by taking into account the existing cultural rules.

The field of observation

The selected field of observation is Bulgarian transnational entrepreneurial companies operating in London. By definition, the field of observation should have spatial and social relatedness to the objects under research, which undoubtedly is the case where immigrants' communities are considered.

Selecting London as the geographical context of this study on transnational entrepreneurs is motivated by the location's characteristics. The city is a major metropolitan area, and according to the 2011 labor force report of the UK Office for National Statistics, London is home to 37% of all foreign-born employee workers in the UK, and, more importantly for this study, 46% of all self-employed foreign-born workers in the country. These characteristics make London a desirable context for the observation and exploration of transnational entrepreneurs' strategies for embedding to the business environment.

Nevertheless, it is difficult to determine the exact field of observation as no area's borders can be clearly defined, especially when the borders are not simply physical in nature. Moreover, no area is completely isolated; therefore, the field is determined by the situations, the processes and the mutual influences within the social unit and ascribed to the particular social arena. This comprehensive understanding of the internal dynamics influencing the researched phenomenon constitutes the borders of the field of observation.

“Fields can have different degrees of openness depending upon the extent to which they are interdependent with others” (Friedrichs and Ludtke, 1975:39). While the purpose of the research is not to determine the level of openness of Bulgarian transnational entrepreneurs, the social group’s interdependence has been exploited by the researcher for the purpose of establishing access to different levels and organizations with which the group interacts and cooperates. These include various governmental and non-governmental organizations. Defining the field of observation does not impose limitations on the field in which the observations are to be conducted (Friedrichs and Ludtke, 1975). Therefore, observations conducted in the aforementioned organizations are considered reliable complements to the defined observation field as they add to the better understanding of the strategies employed by TEs.

The observation of the field has been conducted after a thorough examination that has provided the researcher with preliminary information about the field and its characteristics. The preliminary exploration of the field, suggested by (Friedrichs and Ludtke, 1975), is considered a valuable technique for achieving in-depth observations. Among the methods offered as reliable for the initial exploration are review of the literature on the field, non-participant observations, content analyses and interviewing. A mix of literature review, interviewing and content analyses have been selected by the researcher to validate the choice of the field of observation and to conceptualize the overall research design of the study. The selected exploration methods are combined with the paradigm developed by Friedrichs and Ludtke (1975:40) based on Katz (1953:68), which has resulted in a plausible and thorough exploration of the observation field. That paradigm is presented below in Table 3.1: Preliminary Exploration of the Observation Field.

Table 3.1: Preliminary Exploration of the Observation Field

1. Degree of autonomy of the field or degree of interdependence with other fields
2. Spatial extension
3. Number of people involved
   (a) Classification of the people (age, sex, etc.)
   (b) Groups

(c) Relations among people (formal, informal)
(d) Goals
(e) Distribution of positive and negative sanctions

4. Degree of organization:
   (a) Organization’s goals
   (b) Degree of hierarchical strictness
5. Modes and channels of communication in the field
6. Recurrent situations in which the people interact:
   (a) Number and type
   (b) Localization
   (c) Duration

Observation Schedule

The full immersion in participant observation requires the implementation of an observation schedule that serves as a plan that clarifies the structure and the nature of what needs to be observed. Moreover, the observation schedule also implies the techniques and the operational characteristics that are used for the derivation of the data. More specifically, it provides the reader with the set of preliminary observation units, as well as the different dimensions of these observation units, that the researcher brings with himself to the observation arena.

Narrowing down the area that is to be examined by the inclusion of an observation schedule further increases the validity of the study as “the narrower it is kept, the more exact will be the individual observations” (Friedrichs and Ludtke, 1975:48). For that reason, the observation schedule should be as concrete as possible. Solid schedules decrease the burden on the researcher and make the process more feasible as judgments about the observed situations are brought closer together and are viewed on the same dimension and level of abstraction. In that way, optimal and accurate comparison of related or complementary situations can be achieved.

This concreteness should not, however, impede the flexibility the of the observation process. While the schedule should provide a certain level of standardization in the different observable situations and contexts, the element of surprise is not eliminated, and unexpected encounters must be taken into consideration in the fieldwork and analysis.

The observation schedule's major contribution is defining the content of the observation, which facilitates the attainment of indirect control over the events that are taking place (Friedrichs and Ludtke, 1975). Due to the importance of the *content*, these components of the observation schedule and their particular implications for the current research topic are discussed further below.

Contents

The observation units deduced from the research propositions are an integral part of the contents as one or more of them are going to be present in the observable situations. "Every situation consists of a number of elements or dimensions at which the observation is to be aimed" (Friedrichs and Ludtke, 1975:43). Due to the high number of potential observable situations, as well as different dimensions that each one of the observations might involve, the selection of relevant preliminary observation units is necessary for focusing the researcher's attention on what is relevant. The employed framework (Table 3.2: Observation Framework) includes elements of observational situations that have been identified on the basis of sociological theory and the methodology of participant observation (Peak, 1953; Selltiz et al., 1962). Outlined in the framework units of observation facilitates the illustration of the actors' behavioral categories.

Table 3.2: Observation Framework (adapted from Friedrichs and Ludtke, 1975:43)

I. Context:
   (a) Previous situations
   (b) Following situations
   (c) Instigator of situations
   (d) Frequency of the situation
   (e) Attributes of the enterprise
      (i) Duration
      (ii) Material objects (furniture and interior design)
      (iii) Location

II. Structure:
   (a) Social actors
      (i) Number of people
      (ii) Composition
      (iii) Responsibilities

(iv) Status

(b) Authority and role structures

(i) Official central regulations

(ii) Self-government

(iii) Hierarchy of authority and communication

(c) Leader's style

(i) General behavioral observations (presence, activities and interactions)

(ii) Specific behavioral observations (according to particular situations)

(iii) Leadership style

(iv) Effect of the leadership style

(v) The leader's normative orientation (attempts and intentions of the director toward particular situation)

(vi) Effect of the leader's normative orientation

III. Processes:

(a) Stimuli and reactions of the people involved

(b) Sanctions (reward and punishments)

(c) Goals – theme, object of orientation

(d) Media of communication (speech, gestures, mimic, telephone)

(e) Results of the interaction

(f) Participation in activities, groups and organizations

(i) External activities, groups and organizations

(ii) Internal activities, groups and organizations

(iii)Benefits (personal and public)

Participant observations are particularly appropriate for revealing behavior patterns as they "greatly relieve the observer from effort and errors in the interpretation and transformation of opinions and verbal expressions … This function of interpretation is often referred to as a principle of participant observation, a kind of hermeneutic arrangement of indicators into ideas (of cultural meaning)" (Friedrichs and Ludtke, 1975:51). Participant observations help the observer to better understand the language and the cultural meanings attributed to the in-group communication. However, even without in-depth understanding about the language and the culture, it is possible for the researcher to utilize indicators about the internal relationships and levels of status, respect and power layered in the group's communication.

Other central indicators are the available symbols, which are also "important carriers of information for the subjects" (Friedrichs, 1968:85). Such symbols can include the entrepreneurs' behavioral attributes, expressed in a verbal or gestural way, material objects that affiliate with the situation or indicate the behavior of the subjects, as well as methods of communication (Friedrichs and Ludtke, 1975). These symbols expose the principal meanings available within the transnational entrepreneurs' network and manifest the values and norms on which the network's operational structure is based.

Limitations of the participant observation method

Most potential limitations of the participant observation method can be attributed to the role of the observer. Occasionally, the observer's personality and traits can impose problems of uncertainty. Some aspects of these variations can be controlled by the observer, but overall the observer's strategically intended behavior can only be planned from the limited external perspective.

For example, the impact of gender on the observation is difficult to foresee. Male and female observers often have access to different information that might lead to a stronger or weaker grasp of particular settings, knowledge, etc. (DeWalt and DeWalt, 2002). Given that in this particular research the observer has explored a predominantly male stratum of entrepreneurs, it is believed that access to deeper bodies of knowledge has been achieved due to gender identity. However, gender differences are worth noting as a limitation of participant observations, as this might be an issue if replication of the study is considered.

Other factors that might impede the observer's acceptance in the community include age, class, and ethnicity. These factors might affect the willingness to extend trust to the observer as well as his/her full immersion in the community (Schensul et al., 1999).

The researcher's bias during participant observations is also considered a potential limitation for any research study. However, this limitation has been considerably limited in the current research study due to the employment of different data collection approaches. According to DeWalt, DeWalt and Wayland (1998), using different data collection methods not only increases the understanding of the social context, but also brings rich data that is significantly less likely to be biased. This brings us to the question of triangulation.

3.4 Triangulation of the data collection methods

This study employs three different data collection methods: interviews, oral/life stories and participant observations. The use of multiple methods is believed to enhance the traditional interview approach, empowering the researcher to reach multiple levels of understanding of transnational entrepreneurial companies and gain better awareness of their embedded practices. The combination of the data derived through these methods makes it possible to achieve triangulation that further improves the internal validity of the research by compensating for the weaknesses of any of these methods used in isolation (Jick, 1979; Ghauri et al., 2002). Triangulation of the data collection methods is known to confirm findings by reducing measurement error (Miles and Huberman, 1994). Triangulation also helps to overcome concerns about the potential subjective judgments made during the data collection (Yin, 2003). Moreover, triangulation allows the researcher to design the combination of methods that would be most appropriate for the exploration of the desired phenomenon and its surrounding aspects.

Although various data collection techniques have been implemented all the methods employed follow a consistent methodological approach centered on ethnography. The data collection methods have been combined for the purpose of creating a thorough ethnographic understanding of the phenomenon that would also track for controversial results or inconsistencies in the data. The combination of the data collection methods is operationalized through the research design stages (Table 4.4). Stage six of the table controls for controversial results or inconsistencies in the data via triangulation and context interviews with 11 independent informants. The triangulation (Stage VI, Table 4.3) augments the legitimacy of the study by incorporating validation mechanisms, data crosschecking and a holistic understanding of the phenomena (Ghauri et al., 2002). The process of how triangulation is achieved and how it results in a study of enhanced validity and reliability is further discussed in section 4.2.5 Validity and reliability.

3.5 Summary

This chapter describes and justifies the adopted research methodology of the study, including philosophy, theoretical perspective, data-related approaches, and research strategy and methods. It presents the research philosophy and approaches that guide the researcher in his attempt to answer the questions posed in section 1.4. The chapter starts with outlining the constructionist premises of meaning creation and why this stance is particularly appropriate for examining transnational entrepreneurs operating within ethnic Diasporas. Reflecting on the posed research questions, the chapter defends the use of the qualitative approach based on an interpretivist perspective. This combination is argued to allow the examination of context rich settings, which therefore empowers the researcher to explore TEs' decision-making and strategy formation processes within the Diaspora.

For the thorough examination of the selected twelve cases, the study employs semi-structured interviews, participant observations, and oral/life stories to accumulate empirical data from the owners, other employees, as well as officials from the British Bulgarian Chamber of Commerce and the Bulgarian Embassy in London.

CHAPTER FOUR

Data Reduction and Analysis

4.1 Introduction

This chapter presents the adopted data reduction and analysis techniques. It justifies the use of critical discourse and narrative analysis methods for the organization and examination of the rich data. The chapter discusses the grounds for the conducted typologies and theory by discussing how categories within the data are identified. The design of the chapter is believed to stimulate theoretical reflection.

A step-by-step approach for scrutinizing the data in a systematic manner is adopted, with analysis at the micro, meso and macro levels. Following the suggested model is believed to facilitate the full exposure of the theoretical framework implied in the data. Micro level analysis puts emphasis on what is happening inside the smallest researched unit, the entrepreneur: cognition, position and socialization into the social and business environment of the foreign country. Macro level analysis is concerned with all the outside factors that influence the micro level interactions, such as larger social or business organizational structures (e.g. Diasporas), as well as their characteristics, and how they influence the daily context of transnational entrepreneurs.

The chapter demonstrates the interdependence of the micro and macro levels, which needs to be explicated for better understanding the researched phenomenon. In the current study, the meso level analytical approach is directed towards identifying arenas and network management strategies, as well as reconstructing the TEs' decision-making processes within the collected primary data.

The chapter concludes with a discussion of the reasons for employing computer assisted qualitative data analysis software (CAQDAS) and the actual coding stages utilized in the process.

4.2 Study design

4.2.1 Strengths and reasons for selecting the sampling technique

The sampling of transnational entrepreneurs from the Republic of Bulgaria who have established and operate their businesses in the UK is non-probability, purposeful sampling. Non-probabilistic sampling is appropriate due to the qualitative nature of the study (cf. Merriam, 1998, p. 61: "probabilistic sampling is not necessary or even justifiable in qualitative research"). Purposeful sampling, in particular, is considered a valuable tool for maximizing the richness of the knowledge extracted from a small number of cases (Yin, 1994). The method's characteristics make its inclusion in qualitative studies highly desirable, especially when theory generation is an objective, as it is in the current work.

As proposed by Yin (1994), learning the most about a particular phenomenon is possible when the sample choice is driven by replication logic rather than statistical logic. The former implies that the purposeful selection of cases is a strong enough technique to reveal the model under scrutiny in a holistic way. The multidimensional characteristics of the phenomenon are better illustrated by taking each selected case as an experiment and tracking the replicability on a case by case basis. In either event, if cases lead to similar results (literal replication), or if they appear opposite for an understandable and consistent reason (theoretical replication), the replication logic achieves its purpose to provide a multifaceted illustration of the phenomenon.

Both literal replication and the theoretical replication are used to represent the polar properties of the same observable occurrence. For example, if the first experiment shows a company rich in weak social ties and strong in innovation, and the second experiment constitutes a company poor in weak ties and weak in innovation capabilities, then these polar observations essentially provide some insight, which could be then further tested with each subsequent case. As Eisenhardt (1989:537) states, "cases may be chosen to replicate previous cases or extend emergent theory, or they may be chosen to fill theoretical categories and provide examples of polar types." Therefore, the availability of literal and theoretical replication in several cases within the same study suggests enhanced and extended analytical generalizations.

However, due to rich dynamics that could emerge from the multiple-case investigation, Eisenhardt (1989) suggests that the complexities should be mitigated by limiting the sample size to ten organizations. This position appears to dominate the methodological field, as Miles and Huberman (1994) also suggest limiting the number of cases examined, proposing a maximum of 15 cases when investigating a phenomenon of high complexity. Nevertheless, the authors are strict proponents of the belief that any number of cases beyond 15 "can become unwieldy […] there are too many data to scan visually and too many permutations to account for" (Miles and Huberman, 1994:30).

Following Miles and Huberman's recommendation, the current study is based on the investigation of 12 cases selected from a list of more than 180 companies operating in the UK, attained from the Embassy of the Republic of Bulgaria. The approached entrepreneurs have been filtered by means of a survey that had the purpose of separating transnational entrepreneurs from the ethnic ones[i], as well as making sure that the selected cases fulfil other set criteria discussed in section 4.2.3. The resulting variation in the industry of operation of the selected subjects demanded a tool for multiple scenario investigation. Although it has been claimed that evidence from multiple social scenarios is often regarded as a more robust proof of the examined phenomenon (Herriott and Firestone, 1983), some might argue that the external validity of the research might be undermined. To account for the resulting variation and the potential external validity issues, the research design employs a replication logic model that has guided the data collection and analysis stages. The model has facilitated the exploration of the phenomenon of interest despite some of the difference in the context (Yin, 2003).

4.2.2 Replication Logic Model

Yin (1998) proposes that researchers constantly reevaluate the quality of the intended research design and the process of achieving it. This is particularly important when engaging in multiple-case investigation and implementing replication logic techniques.

Following Yin's recommendation that checks should be conducted during the whole research process (*design*, *data collection* and *analysis*), the current study has employed a particular multi-level replication logic model (Table 4.1), that has been considered during the data-collection and its analysis and in this manner has influenced the overall design of the study.

Table 4.1: Replication Logic Model

Micro Level - Actor analysis
1. Identify relevant actors (criteria) - Resource dependency - Power to obstruct decisions - Actors with ability to achieve solutions - Actors who are affected by decisions around problem - Actors who have knowledge, insight or ideas to enrich solutions 2. Analyze positions of actors - Which resources do actors possess a) Financial b) Production c) Competencies d) Knowledge e) Legitimacy - To which dependencies do these resources lead? - Importance of the resources and the sustainability of the resources - What is the interdependency of the actors? 3. Actors' perceptions and strategies (perceptions are the main source of strategies) - What are the perceptions on problem situations (causes of problems, nature of problems, desirable situations) - Identify important opinion differences (might lead to stagnation of the interaction or conflicts) - What is the coherent set of actions of actors to achieve goals?
Macro Level – Network Analysis/Institutional Analysis
1. Mapping interactions and interaction patterns - Central and peripheral actors - Relations between actors - Changes over time (dynamics of network/system) - Dependency and interactions 2. Analyzing relevant institutional characteristics

- What are the formal institutional characteristics? (rules and regulations, permanent organizational arrangement, etc.) - What are the informal rules? (access possibilities of players, position of players, professional codes, rules that guide the provision and openness of information/knowledge)
Meso Level – Decision-making
1. Identifying arenas – where the important decisions are taken - Identify decisions and the place where they are taken - Determine which groups of actors are involved in these decisions - Spot recognizable/common organizations 2. Reconstructing the decision-making process (tracking the choice to outcome pattern) - Which initiatives start decision-making? - What have been the crucial decisions until now? - What strategies do actors choose? - What are the important outcomes for now? 3. Identifying network management strategies - Identifying types of activities that can be labeled as management a) Arranging – temporary organizational arrangements: conferences, etc. b) Connecting – activities/events to activate actors, connect their business orientation and strategies c) Exploring the content – activities/events to increase the variety or the pool of solutions and solution sources d) Process agreements – establishing temporary rules about interactions - Identifying actors that perform these activities

4.2.3 Profile of the selected companies

The selection criteria were that companies fall under the definition of transnational entrepreneur found in Drori et al. (2009), are considered SMEs, are located in the Greater London area, and engage in service consulting operations (as declared in their company profile). Of the 180 companies on the list obtained from the Bulgarian embassy, all companies within the desired region (approx. 75%) were contacted by email or phone. These were then sifted through a survey that had the purpose of separating transnational entrepreneurs from the ethnic ones and confirming the aforementioned characteristics. The major subjects of interest were the owners of the companies; however, during the data collection, the researcher was also introduced to various employees, co-owners, clients and other members of the entrepreneurs' social circles, whose accounts have also been considered.

4.2.4 Identification of firms

As shown in table 4.2, the study is based on twelve transnational entrepreneurial companies belonging to a variety of industries, which justifies the use of replication logic and replication models. The selected subjects have been ordered in an alphabetical manner. However, their specific order has no other purpose than simplifying the analysis and maintaining the anonymity of the subjects. For the purpose of preserving anonymity and complying with the confidentiality and ethics covenant, financial data, the year of foundation and specific number of employees are not provided. This is not a restraint that could affect the quality of the research, as it is not the intention of the study to provide a basis for comparison in these particular aspects.

The observed overall knowledge intensity of the companies is predominantly high, a characteristic that coincides with the fact that all of the involved companies have declared in their company profiles that they engage in consulting operations.

Table 4.2: A coded list of transnational entrepreneurs

Entrepreneur's Name	Industry of Operations	Number of Entities Owned	Generation	Number of Owners
A	Food & Beverage Retail	3	First	1
B	Advertising, Branding & Marketing	1	First	2
C	Consulting, Outsourcing, Offshoring	1	First	1
D	Consulting, Outsourcing, Offshoring	1	First	2
E	Legal Consulting	1	First	1
F	Consulting, Outsourcing, Offshoring	1	First	3
G	Real Estate & Tourism	2	Second	1
H	Food & Beverage Retail	1	First	1
I	Consulting, Outsourcing, Offshoring	1	First	3
J	Legal Consulting	1	First	1
K	Consulting, Outsourcing, Offshoring	1	First	2
L	Consulting, Outsourcing, Offshoring	1	First	2

The selection process was organized as follows. Following an interview with the director of the British-Bulgarian Chamber of Commerce, a list of 182 active companies was obtained. This was then scrutinized, paying particular attention to the categories: company name, address, contact details (names, telephone numbers, emails, websites), sector of operation, as well as business description. This information was used for the preliminary screening of the companies. As a result, 85 companies were excluded because they did not meet the preset criteria of being transnational entrepreneurial ventures, SMEs, located in the Greater London area, and engaging in service operations. The remaining 97 companies were contacted by phone and/or email to ensure they fell within the desired category and were willing to participate in the study. Out of these companies, 12 agreed to participate, 71 rejected the invitation and 14 could not be reached after multiple attempts. This resulted in a sample size of 12 companies.

4.2.5 Validity and reliability

The validity of research is often enhanced through data triangulation, as this method is believed to reduce the weaknesses that reliance on a single method of data collection may cause (Pauwels and Matthyssens, 2004). It follows that the validity of a qualitative study cannot be discussed without paying attention to triangulation. Illustrating the triangulation process becomes even more imperative when considering possible criticism.

Phillips has acknowledged that most experiments will fail to “regularly (or always) yield sound data or true conclusions” (1987:21). A partial explanation is that validity can only be determined when matched to the motivations and the conditions of the research (Brinberg and McGrath, 1985). Critics go even further by questioning the validity of qualitative research as a whole by querying the neutrality of researchers (Putnam, 1990).

We address potential criticisms by illustrating the robust validity and reliability of this study achieved through three types of data triangulation. First, the methods of data collection (interviews, oral/life stories and participant observations) are triangulated, as discussed in section 3.4. Second, data has been extracted from different respondents, a process known as synchronic primary data source triangulation (Pauwels and Matthyssens, 2004). Third, data has been extracted from the respondents on multiple occasions, which is known as diachronic primary data source triangulation (Pauwels and Matthyssens, 2004).

In addition, providing information about the participants providing the data, the context and the settings of the data gathering, the employed theories and concepts, as well as diligent reporting of the selected methodology and the adopted analytical strategy, allowed us to further enhance the transparency and rigor of the study. Table 4.3 illustrates the systematic measures taken in the study to assure its overall quality.

Table 4.3: Validity & Reliability Operationalization

Type of Quality Measure	Definition	Operationalization of the measure	Phase of Operationalization
Reliability	Repeating the findings of the study with similar conclusions	Use an interview participant observation protocols	Data Collection
		Provide detailed account of the collected data, its triangulation, analysis, and how the theoretical constructs emerge	Composition
		Preserve anonymity of companies and participants to avoid social desirability bias[4] and assure data truthfulness	Analysis
Construct validity	Identifying correct operational measures for the concepts being studied	Use multiple sources of evidence	Data collection
		Conducted participant observations in the corresponding company setting	Data collection
		Offer a detailed account of the 'active' practice through which interview data was collected, as well as how data-related challenges were overcome	Composition
		Establish chain of evidence	Analysis
		Discuss findings with the director of the British-Bulgarian Chamber of Commerce	Composition
External validity	Outlining the domain to which the study's findings can be transferable[5]	Explain the process of case identification	Research Design
		Provide the rationale and the criteria for the purposeful selection of cases	Research Design
		State the advantages and the limitations of the selected methods and approaches	Research Design
Internal validity	Establishing ability to reflect on the data and derive causal relationships	Do pattern matching, explanation building, similarity clusters, semantic codes	Data Analysis
		Employ 3 levels of coding until data is reduced to theory	Data analysis
		Employ synchronic and diachronic primary data source triangulation.	Data Collection

[4] The tendency that interviewees answer questions in a way that will be viewed favorably by their stakeholders.
[5] The ability of research findings to be transferred to cases with comparable characteristics (Lincoln & Guba, 1986).

Process of reflexivity	The recognition of unavoidable influences e.g. the researcher's background, ideology, etc.	The author remained self-reflective in order to diminish research bias stemming from own background The author remained critically reflexive during the translation of the data from Bulgarian to English. The output has been constantly compared with other data accounts to assure reliability. The authors proficiency in both languages facilitated the preservation of data details and context.	Throughout Data Analysis

Based on Gibbert, Ruigrok and Wicki's (2008, p.1467) and definitions from Yin (2003:34)

The operationalization of the validity and reliability measures in Table 4.3 are believed to enhance the trustworthiness and the integrity of the study (Seale, 1999). The quality assurance processes, in particular the triangulation, are also traceable in the employed research design stages provided in Table 4.4.

Table 4.4: Research Design Stages

Stage I: Pilot Firm study - Ethnographic study and interviews	Firm selection from researcher's personal network. The CEO and other employees helped with the formation of a questionnaire for the identification of other companies' strategies and practices for the reduction of LOF & LON.
Stage II: Identification of other case companies	After the emergence of the important role of the British-Bulgarian Chamber of Commerce from the pilot study, the director of this organization was interviewed. The process of scheduling this interview involved prior interviews with two members of the Bulgarian Parliament who facilitated access.
Stage III: Identification of case companies	Following the interview with the director of the British-Bulgarian Chamber of Commerce, a list of active companies was obtained. The London-based companies founded by Bulgarians have been contacted via email and phone.
Stage IV: Dataset construction	Companies that fulfill the criteria: fall under the definition of transnational entrepreneur (Drori et al., 2009), are considered SMEs, are located in the Greater London area, and engage in service consulting operations (self-declared) have populated a dataset.
Stage V: Data Collection: - Ethnographic study and interviews	Of the eligible participants, twelve agreed to contribute to the study. This has resulted in participant observations and interviews with the entrepreneurs and other company employees over a period of two months.
Stage VI: Triangulation and Context Interviews	Triangulation and context interviews with 11 independent informants. Interviewees included a consultant specializing in European subsidies and the consul of the Bulgarian Embassy in London; others are business owners and other professionals approached during social events organized by the Bulgarian City Club in London and the Bulgarian Embassy in London.
Stage VII: Primary data coding	Coding of the data in NVivo against themes emerging from the fieldwork
Stage VIII: Data analysis and reduction	The coded data was arranged in first-order categories, second-order themes and aggregate dimensions, which better represent the data structure and highlight the empirical support of the findings.
Stage IX: Overall analysis and evaluation	Examining the explanatory power of the findings and the study's capacity to fill the identified research gaps

*Adapted from Hatem (2012); Fletcher and Harrris (2012).

4.2.6 Confidentiality and Ethics

Ethics and confidentiality are considered imperative for the truthful execution of the study. The implementation of a confidentiality covenant between the investigator and the participants was expected to strengthen the validity of the findings, as the participants would be more inclined to share information (Israel and Hay, 2006). For that reason, the University of Edinburgh *Self-Audit Checklist for Level 1 Ethical Review* has been followed throughout the data collection and analysis.

4.3 Methods of Analysis

4.3.1 Critical Discourse Analysis

The conducted interviews, participant observation and oral/life stories are transcribed and the non-numerical data is analyzed through critical discourse analysis (CDA). The analytical approach is used for the organization and the analysis of the derived rich text-based data. Categories and connections between them that stimulate theoretical reflection are developed, which facilitates typology construction and, hopefully, theory.

The definition of the employed analysis varies as different meanings and characteristics are ascribed to it by the different fields of science. “Linguists appear to understand discourse as language use, psychologists as cognition, and sociologists as social interaction… Discourses, in fact, (re)produce knowledge, culture, identities, subjectivities and power relationships in social and societal settings” (Vaara and Tienari, 2004:343). Due to these central characteristics of discourse, which transcend the differences in how they are understood by various scientific disciplines, the employed analytical approach is believed to be a valuable tool for investigating the social construction of the transnational entrepreneurship phenomenon. Moreover, the combination of the selected ethnographic methods with discourse analysis is expected to be particularly successful in scrutinizing the researched phenomenon.

Although differentiated by their understanding of discourse, researchers share the stance that discourse embraces all interactions in spoken or written form (Potter and Wetherell, 1987). Nurtured by this shared and acceptably firm belief, discourse analysis in this study scrutinizes the language use as a method for revealing the relation between social embeddedness of the actors and their strategic cognition in response to their social placement. As a strand of discourse analysis, critical discourse analysis is capable of uncovering these relations, while placing particular emphasis on notions such as dominance, class, ideology, power, interests, reputation, social structures and order (Van Dijk, 2003).

Critical discourse analysis is committed to the investigation of language meaning, construction and dissimilarities (Potter and Wetherell, 1987:32), aspects that can be linked to entrepreneurs' self-representation in society, prior knowledge and agency, and the context of their business operations. Transnational entrepreneurs' self-representation in the society and in their business activities is believed to be highly influenced by the social institutions in which they participate.

This institutional link is best examined through the lenses of critical discourse analysis because, in contrast to general discourse analysis, CDA sees discourse and institutions as two different notions that together comprise the comprehensive social phenomenon. CDA focuses particularly on the interaction that occurs between discourse and institutions in the process of social construction (Pedersen, 2009). That focus of CDA is exploited in the current research study in an attempt to scrutinize TE's embeddedness in diaspora organizations, their internal interactions with likeminded individuals and the externalization of the benefits derived from the embeddedness in such social institutions.

Moreover, critical discourse analysis makes it possible to create a link between transnational entrepreneurs' micro-level behavior and practices and socially constructed macro-level processes emerging in organizations such as Diasporas or chambers of commerce. The interaction between micro and macro levels constitutes the day-to-day practices of transactional entrepreneurs. Therefore, bridging these micro and macro levels makes an integrated critical analysis possible.

Language, interaction, cognition, perception and power relations are all dimensions of discourse and of relevance for answering the research questions. These dimensions constitute the Neo-Marxist ideology of hegemony, which is also an integral part of CDA's focus (Pedersen, 2009). Ideology, undoubtedly, is rooted in discourse in varying degrees and the more present it is, the more discourse contributes to the establishment or preservation of power relation (Pedersen, 2009).

Discourse is often seen not simply as a linguistic concept, but rather as "a system of representations" (Hall, 2001: 72) that encompasses extensive social practices. Discourse information that highlights TEs' creation of meaning, power, authority and knowledge is of particular interest for the current research. Discourse is an appropriate source from which to extract information about the power of knowledge (Foucault, 1977). The interdependency of the two concepts, power and knowledge, becomes evident once the pattern of how knowledge inspires entrepreneurs' perception and motivates their actions has been scrutinized. The power of knowledge, how the power is ascribed and endorsed within the apparatus of a Diaspora organization, knowledge power shifts and how TEs respond to them are all questions of key interest that can be addressed by critical discourse analysis.

According to the classical Marxist concept, power and influence in social relations are simply determined by the class standing of the individuals. However, this reductionist approach has been challenged by Foucault, who laid the foundations of the understanding that social relationships are contextualized through what he defined as "meticulous rituals" that constitute the "micro-physics" of power (Foucault, 1977; Fox, 1998; Hall, 2001).

The rituals in which TEs engage are perceived through their discourse and the use of participant observations. The variety of the data, resulting from different collection methods, from which critical discourse analysis is able to extract theoretical concepts is a manifestation of the wide applicability of the selected analytical method. This evident pluralism validates the robust analytical authority of the critical discourse analysis in understanding multifaceted business and social phenomena.

However, although powerful in examining complex phenomena (Fairclough, 1995), discourse analysis and its strands provide "no clear window into the inner life of an individual. Any gaze is always filtered through the lenses of language" used by the social actors (Denzin and Lincoln, 1994: 12). Linking language, interaction, collaboration, influence and power, perception, strategizing and extensive social context in the analysis is an important methodological endeavor that requires more diverse perspectives on the social domain. To further focus on the sociocultural context, as well as to achieve greater reflexivity between the data and its interpretation, narrative analysis is implemented.

4.3.2 Narrative Analysis

Through the selection of the data collection methods described above, the researcher hopes to gain a glimpse into the cognitive model operationalized by transnational entrepreneurs. This allows the study to take into consideration entrepreneurs' social representation together with their information processing social or technological mechanisms and their wide range of strategies. The social context and the actors' perceptions are indispensable factors for the analysis of the aforementioned relatedness. These factors could be successfully explored by observing the interaction between text and context (Potter and Wetherell, 1987; Van Dijk, 1985). Because of its nature, narrative analysis (NA) is believed to not only serve the purpose of illuminating the selected interaction, but also add to the overall reflexivity on the data and its interpretation.

Looking at the content, the structure and the context of narratives provided by the researched actors delivers a more detailed account and therefore more reflexivity, higher personification and closer embodiment of the researched phenomenon. Seen as a "family of analytic approaches to text" (Riessman, 2008b:151), narrative analysis is particularly important due to its capacity to reveal meaning, style, operation and display "specific schematic organizational patterns, that is, some kind of superstructures" (Van Dijk, 2003:3).

NA can be applied to a wide range of accounts - not only written, but also spoken and visual. For that reason, the analysis of the collected participant observations is systematically approached for the creation of parallel analogous structures that create analytical coherence in the interpretation of the data. The unity resulting from use of the same analytical approach on two separate strands of data is believed to strengthen the findings of the research by achieving multilevel exploration of the phenomenon and better understanding of its dimensions.

Riessman (2008a) discusses the four different types of analysis that make up NA: thematic, structural, dialogic/performance and visual. Another common view divides NA more broadly into event-centered and experience-centered research. The current research aims at understanding how strategy creation is shaped and why it takes a particular direction; therefore, both event-centered and experience-centered orientations were employed. These broad orientations diverge in analytical themes and prioritization of data, but converge in the conviction that narratives are a direct way to express "individual, internal representations of phenomena" (Squire et al., 2008: 5).

The internal individual comprehension of a phenomenon could be used as a bridge to connect the entrepreneurs' (micro-level) perspectives to broader social and business dimensions of the phenomenon. This allows the investigation of constructed narratives in an attempt to extrapolate social configurations and their effects on business activities. The planned extrapolation is a feasible objective, as traditionally NA has been employed by many social scientists for the purpose of scrutinizing manifold meanings embedded in stories in an attempt to better understand individual and social changes.

The decision to implement narrative analysis is further motivated by the argument that narrative illustration of a phenomenon is crucial for good ethnographic research (Abell, 2004). Furthermore, narrative analysis has gained recognition as an unsurpassed method for capturing actors' active experiences (Bamberg, 2007). Compared to discourse analysis, narrative analysis focuses predominantly on a bottom-up standpoint.

The current study concentrates on both top-down and bottom-up approaches in order to better meet its objectives. The bottom-up approach is interconnected to the entrepreneur-level orientation that the study is taking by analyzing data collected through interviews and participant observations of transnational entrepreneurs. On the other hand, the top-down approach, intrinsic to discourse analysis, lends itself to examining how social organizations influence their entrepreneurial members' business orientation, aspirations and strategic attitudes.

During the analysis of the collected data, "notions such as goals, plans, scripts, or cognitive schemata are involved to account for the understanding and representation of stories" (Van Dijk, 2003:6). The inclusion of the aforementioned notions is critical for the recognition of personal and social knowledge, as well as shaped beliefs and attitudes, developed under the influence of TEs' potential embeddedness in various social structures.

Narratives are relatively easy to identify in text and speech, which – together with the notion that they are central for understanding the cognitive processes (Bruner, 1986; Polkinghorne, 1987) of self and community (MacIntyre, 1981; Carr, 1986; McAdams, 1993) – makes them a desired technique for the study of TEs and their practices. However, due to their multi-layered structures, narratives hide some traps and therefore efforts have been made to avoid these.

For example, an in-depth look at NA has revealed a tendency for mistakes that might diminish the rigor of the analysis. These traps often arise due to researchers' constrained approach when handling rich narratives. Researchers frequently have an inclination to look at stories simply for the purpose of extracting superficial content or in a sole attempt to use them as confirmation for prior theory (Riessman, 1993). To avoid these detrimental tendencies, the analysis follows Riessman's (1993) recommendation for beginning the inquiry on the story with the narrative's structure and gradually approaching its content by taking into account the context in which the story has been constructed. The questions that Riessman suggests should be answered during the analysis in order to prevent mistakes are related to the organization of the story and the informants' objective for constructing the story in that manner. The answers to these questions are believed to emerge to the greatest extent when the analysis starts from inside, the core, where meanings are encoded, and then approaches the periphery where the more personal and potentially sensible propositions can be comprehended

(Riessman, 1993). This strategic approach to the analysis of the data honors the actors' experience, while revealing what they take for granted. The combination of these dynamics facilitates higher reflexivity in the interpretation of the data.

4.4 Analytical Approaches

The study adopts a step-by-step approach for scrutinizing the data in a systematic manner. The analysis is conceptualized at the micro, meso and macro levels. Following the suggested model is believed to facilitate the full exposure of the theoretical framework embedded in the data.

Low and MacMillan (1988) support the implementation of multi-level analysis in entrepreneurship studies, as the different levels of analytical approaches supplement one another for the development of a coherent study of the data and the phenomenon. Furthermore, entrepreneurship has long been known as an extensive field that exists within a complex social and institutional system. Therefore, the nature of the subject predisposes it to the use of multiple levels of analysis, which has also been determined beneficial when looking at firm internationalization (Andersson, 2000).

Transnational entrepreneurship is not an exception. It encompasses different societal levels whose proper exploration can only be achieved through the implementation of a focused multi-level analysis. As TEs operate in proximity with different Diaspora and business organizations, it is crucial to adopt an explicit multi-level framework that would serve as a tool for approaching the collected data. The framework acts as an analytical apparatus that grasps multi-level data while strictly upholding the desired clarity and focus of the research.

After preliminary study of the collected data, Bourdieu's theory of practice (1977, 1998) has been recognized as a tool appropriate for the consolidation of the link between "individual and environmental contexts, especially in terms of clarifying the connections between factors at multiple levels of analysis" (Terjesen and Elam, 2009). Bourdieu's theory is used in sociology and anthropology and is largely considered a practice theory that helps in the examination of the embeddedness of social actors in their operational context (Dobbin, 2008; Emirbayer and Johnson, 2008).

The theory is comprised of three main concepts - *habitus, field,* and *capital* (Bourdieu, 1986, 1998). The first one refers to personal orientation, worldview, perceptions that in the case of transnational entrepreneurs motivate strategy formation (Dobbin, 2008; Elam, 2008). The habitus reflects on the actors' culture, experience, knowledge, which predefine the way they comprehend realities and act. The second concept, *field*, looks at the social environment where the action occurs and the actors' interaction with that environment – individuals and organizations. The last concept, *capital*, is viewed as a combination of assets of an economic, social, cultural or symbolic nature (Bourdieu, 1993). In the current study, the symbolic capital translates into the actors' reputational advantage. Together, these forms of capital are believed to characterize the social environment and to influence the position that transnational entrepreneurs are likely to take (Terjesen and Elam, 2009).

An important proposition embedded in Bourdieu's theory of practice is the high liquidity and convertibility of the forms of capital. All of them are easily reducible to symbolic capital and its different forms – authority, power, legitimacy etc. (Bourdieu, 1986, 1990). Therefore, the possession of any of the other forms of capital - economic, social or cultural – brings a certain level of reputational advantage to their holders, depending on the appreciation of that capital in the specific social/business environment. Due to the specificity of the transnational entrepreneurship concept, however, the business and social environment in which such entrepreneurial activities flourish has strong demand for and values all of these forms of capital. Thus, TEs are seen as "economic agents who are knowledgeable, reflexive, and strategic within a social structure of opportunity and constraint" (Terjesen and Elam, 2009:1105).

The operationalization of the theory in the field of transitional entrepreneurship is not a new endeavor as it has already been used for the exploration of how entrepreneurs' individual experiences leverage their international market orientation. The current research, however, utilizes the theory of practice to conceptualize the analysis and to highlight the importance of the creation of analytical divisions. Bourdieu's theory meshes nicely with multi-level analysis to create a solid analytical framework that explains clearly the weld between micro, meso and macro levels when transnational entrepreneurial activities are concerned. As Terjesen and Elam (2009:1105) state:

> Applied to the context of entrepreneurship, the theory of practice enables a multi-level approach to include perceptions, other psychological measures, and the macro-level institutions which define a field of action (Elam, 2008). In the case of transnational entrepreneurship, the relevant practices are based on the intersection of social location defined by total capital sets within multiple fields or institutional contexts.

Therefore, the proposed analytical framework of distinguishing between different levels of analysis seems the right approach for examining the entrepreneurs' strategy development processes and their interdependence with the Diaspora organizations.

Further evidence of the suitability of the framework is embedded in the nature of the strategy concept. "Each strategic problem situation is by its nature three dimensional, possessing process, content and context characteristics, and only the understanding of all three dimensions will give the strategist real depth of comprehension" (De Witt and Meyer, 2008:5). The dimensions of the strategies implemented by TEs could be thoughtfully examined through the lenses of the proposed multi-level analytical approach. Moreover, the analysis is designed to suit the interdependence of the different levels, as it is known that the dimensions of strategic practices are highly interactive (Pettigrew and Whipp, 1991; Ketchen at al., 1996). A failure to observe the linkages between the dimensions will lead to a shallow, rather than 3D view on transnational entrepreneurs' strategy formation.

4.4.1 Micro level analytical approach

The first step in conceptualizing the data is to look at it through micro level lenses. This approach focuses on actors' specificities and, in particular, TEs' socialization into the social and business environment of the foreign country. Later, the micro approach is applied to the macro level environment, in which the process of socialization is just a piece of the broader relationship, formed and developed in Diaspora social institutions and business structures.

The micro level analytical stance filters actors' identities, their possession of capital and perceptions, and ultimately personal orientation towards the economic goal. A fundamental part of the analytical approach is collecting insight on the actors' knowledge seeking and absorption capabilities. The accompanying socially layered processes that occur within ethnic groups that entrepreneurs engage in are not regarded simply as a form of cultural transmission but as structures assisting the replication of the members' perception and experience. The micro level analysis of the data is expected to assist the categorization of these perceptions and experiences and their relation to TEs' needs and expectations.

4.4.2 Meso level analytical approach

The next step is to examine the data at the meso level. This approach focuses on the common field overlapped by both micro and macro analytical structures. Microanalysis puts emphasis on what is happening inside the smallest researched unit, the entrepreneur – his or her cognition, position and identity – while macro analysis is concerned with all the outside factors that influence the micro level interactions. It seems that micro and macro levels have established some degree of interdependence, which needs to be explicated for the purpose of better understanding the researched phenomenon. In the current study, the meso level analysis is directed towards identifying arenas and network management strategies, as well as reconstructing the TEs' decision-making processes within the collected primary data.

Bringing these strands of analysis together is important for the development of ethnographic research on learning from any perspective and in any context (Fife, 2005). Willis (1981:171) sees the meso level as one where this can be done:

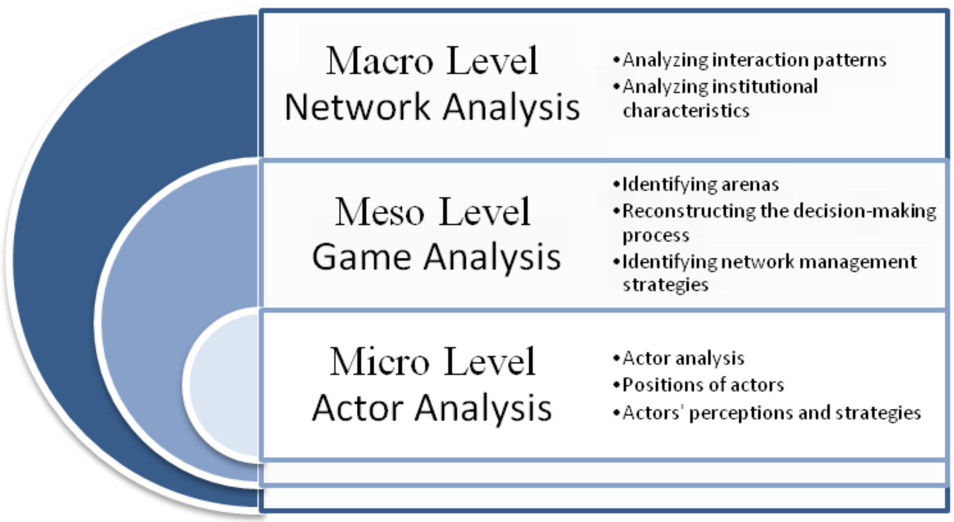
> In order to have a satisfying explanation we need to see what the *symbolic* power of structural determination is within the mediating realm of the human and cultural. It is from the resources of this level that decisions are made which lead to uncoerced outcomes which have the function of maintaining the structure of

society and the status quo … macro determinants need to pass through the cultural milieu to reproduce themselves at all.

4.4.3 Macro level analytical approach

The third step in conceptualizing the data is to analyze it at the macro level. This approach focuses on the larger social or business organizational structures and how they influence the daily context of transnational entrepreneurs. “To understand the hidden curriculum properly, an analysis (of it) must include the macro-level political economy that impacts upon the local interactional context” (Fife, 2005:46). In the case of transnational entrepreneurs, the hidden curriculum is undoubtedly strategy formation and implementation - the focus of the current research study.

Figure 4.1: Multi-level Analytical Approach



4.5 Research Analysis Software

Conducting qualitative research has been found to be a very challenging endeavor that requires a lot of skills, time and energy (Denzin and Lincoln, 1994). Given its numerous complexities and context-specific impediments, qualitative data analysis is often approached with the help of modern technologies. CAQDAS (Computer assisted qualitative data analysis software) has found its place in qualitative research, which is a premise for its utilization in the current research study. The NVivo qualitative research package has been selected to provide immediate assistance to the researcher, in an attempt to raise the overall validity and reliability of the study.

4.5.1 Reasons

CAQDAS is widely recognized for its assistance in replacing manual tasks that require a lot of time if performed in the traditional way. Gerson (1984) implies that the most significant benefit of research software is its potential to increase the thoroughness and the scope of the analysis, allowing the researcher to spend more time on thinking creatively and building an integrated plan of action that goes beyond the limitations of any software application.

The selected software assists qualitative data storage and data management, which has positive implications for the data analysis, as the researchers' ability to search and discover text-based data is greatly amplified. The ease of searching and viewing data is believed to positively affect and enhance the analysis of the created codes. The software design focuses the researcher's attention on relationships between concepts that were previously concealed by the large amount of data (Dohan and Sánchez-Jankowski, 1998).

The ability to bridge different blends of ethnographic data, memos and codes creates a rich database at the researcher's service, which might lead to innovative results (Weaver and Atkinson 1994:Ch. 5). Moreover, the available technology enables social scientists to take advantage of the unlimited codification possibilities of NVivo and achieve a greater depth in the research investigation (Blismas and Dainty, 2003). All these features shape a support instrument, which, if used correctly, can ease and strengthen the analytical process.

The next section examines the process of analysis conducted using the NVivo software.

4.6 Process of Analysis

This section starts with a definition of data analysis and follows with the particularities of the analytical approaches utilized in this study. Miles and Huberman (1994:10) state that "data analysis involves classifying events and the properties that characterize them and data reduction refers to the process of selecting, focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions". Following this understanding, the collected data was transcribed and carefully reviewed.

The focus of the data analysis has been the generation of new concepts and theories from rich primary data, rather than empirically testing already available theories through the support of relevant data. NVivo research software has been employed for conducting in-depth analysis for the purpose of identifying different concepts that emerge from the data. The choice of that specific software was motivated by the design of the product. NVivo was identified as a powerful tool for linking models and theories, building research concepts and organizing them into useful proper theories.

The study adopts a step-by-step process for scrutinizing the data in a systematical manner, which, together with the multilevel analytical approach described above, is believed to facilitate theory building. The data collection, transcription and analysis were conducted within high temporal proximity (Miles and Huberman, 1994; Strauss and Corbin, 1998), which enabled the researcher to adopt the constant comparative method during the analysis. In this method, the collected data from each company guides the analysis of the following ones. The constant comparison of data allows the researcher to verify the validity of the initial evidence and to enrich it with newly identified related notions, characteristics and dimensions. As Glaser and Strauss (1967:23) state:

> on the factual level, evidence collected from other comparative groups - whether nations, firms, counties, or hospital wards - is used to check out whether the initial evidence was correct. Is the fact a fact? Thus facts are replicated with comparative evidence, either internally (within a study), externally (outside a study), or both.

For that reason, emerging theory is likely to be of enhanced comprehensiveness and able to account for variations.

The constant comparison method was operationalized via the joint coding of the data, which was done in four stages: comparing incidents (open sampling), categorizing (relational sampling), delimiting theory (discriminate sampling), and theory writing. According to Glaser and Strauss (1967), this practice allows for the methodical generation of theory.

Furthermore, given that coding[6] is considered an essential part of the analysis in qualitative research, a specific approach offered by Strauss and Corbin (1990) has been applied. The analysis has been divided into three coding stages: *open coding*, *axial coding* and *selective coding*, which has made it possible to thoroughly examine the categories in the data. The employment of these three stages of coding greatly facilitates the recognition of the central and the surrounding themes in the data. Each stage has revealed a different layer of theoretical insight, which has resulted in the gradual increase of focus on data elements.

During open coding, the general nodes of information that the data provides are identified. Moreover, open coding has assisted in the identification of the properties and the dimensions of the information nodes of interest. This approach has revealed the general phenomena in the data, which were later specified during the axial coding stage to construct an explicit set of phenomena under investigation. The last stage, selective coding, has aided the selection of central phenomenon that emerged as fundamental for the present study. Each of these processes is discussed below.

4.6.1 Open coding - creating concepts

The first stage of coding leads to the identification of prominent nodes of information within the data. The researcher has followed the general recommendation to analyze each sentence, a process often facilitated by asking focused questions - where, when, who, etc. These questions help the researcher to build a preliminary notion of the character of the available information and to reveal any theoretical issues hidden in the

[6] "The analytic processes through which data are fractured, conceptualized, and integrated to form theory" (Strauss and Corbin, 1998:3).

data (Strauss and Corbin, 1990). Other techniques employed in the analysis of data at the open coding stage include analysis of words or phrases that seem substantial, comparing data from multiple subjects, comparing phenomena, sensitivity to phrases that assert a statement, such as always and never. All of the above techniques allow for the proper construction of semantic codes in the CAQDAS software. NVivo in particular is equipped with powerful tools, such as word frequency and text search queries, that effectively facilitate the exploration of the linguistic dimensions in the data analysis.

The emergent information categories are then labeled in order to be easily recognized, compared and linked in the following steps of the process. It is important that the researcher constructs labels that do not describe the particular information, but rather its context and potential theoretical standing (Strauss and Corbin, 1990). In this study, proper labeling was considered important as it eased the recognition of the general themes and the specific phenomena in the data.

4.6.2 Axial coding - seeing patterns

The second coding stage involves the exploration of the links between the different categories of information. Strauss and Corbin (1990) have recommended a framework that helps researchers to identify different types of nodes and explore their interconnectedness. The elements of the axial coding framework that have been explored in the present study include the central phenomenon, the causal conditions of the phenomenon, the strategies addressing the central idea, the situational context of the phenomenon, the intervening conditions, any tactics constructed to manage the phenomenon, and lastly the consequences of the implementation of the strategies designed to manage the phenomenon. The aforementioned elements have been indispensable instruments for the thorough analysis of the nodes and their interrelatedness. The axial model has also systematized the data analysis tactics and has facilitated the meaning making process.

4.6.3 Selective coding- data reduction

The third coding stage involves narrowing the number of phenomena and themes recognized during the axial coding stage. The selective coding assisted the emergence of the central phenomenon of the study. The two prerequisites for selecting a phenomenon as a major one are its connectedness to many other elements of the created model and its high standing in the coding tree (Gibbs, 2002).

Once the focus has emerged (i.e. a central theme), selective coding was applied, which involves the systematic relating of the phenomenon to other nodes. This procedure encompasses the refinement of nodes in order to detect their fit to the central phenomenon and the theoretical purposes of the analysis.

4.6.4 Combining NA and CDA

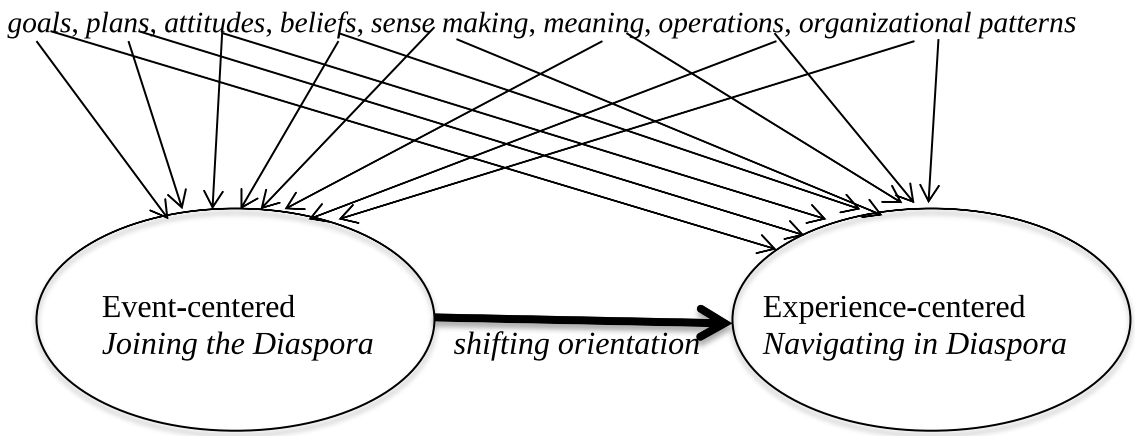
The current study utilizes both bottom-up and top-down analytical approaches: narrative analysis (NA) and critical discourse analysis (CDA), respectively. The bottom-up approach relates to the entrepreneur-level orientation. On the other hand, the top-down approach makes it possible to examine how social organizations influence their entrepreneurial members' business orientations, aspirations and strategic attitudes. This section shows how NA and CDA are applied and combined.

The analysis follows Riessman's (1993) recommendation for beginning the inquiry with the narrative's structure and gradually approaching its content by taking into account the context in which the story has been constructed, in this case the Diaspora organization.

Applying NA

Narrative analysis focuses on a bottom-up standpoint and is event-centered and/or experience-centered. In the current case, the *event* scrutinized is joining the Diaspora network and the *experience* examined is navigating within the network. Studying both of these milestones is important for understanding how strategy creation is shaped and what particular direction it takes.

Figure 4.2: Applying Narrative Analysis



NA looks at the internal representation of a phenomenon. Thus, the data was screened for the concepts: *goals*, *plans*, *attitudes*, *beliefs*, *sense making*, *meaning*, *operations*, and *display of organizational patterns*, which indicate important aspects of individuals' perspective. These concepts were derived from the retrospective narratives of the entrepreneurs. The analysis also considered the possibility that the actors' perspective may change with the transition from the *event* of joining the Diaspora, to gaining the *experience* of operating within its locus. The transition is associated with adopting the institutional norms of the Diaspora network (i.e. readiness to share and reciprocate) for the sake of enhancing the entrepreneur's embeddedness in the institution. The data indicated the gradually increasing emphasis on sharing and reciprocating, which at the *event* of joining the Diaspora were still not fully adopted by newcomers. Entrepreneurs' accounts indicated the transition from a more opportunistic to a more collectivistic orientation. The observed entrepreneur-level orientation illustrates a novel competitive orientation, explicitly placing competition on the network level rather than the firm-to-firm level.

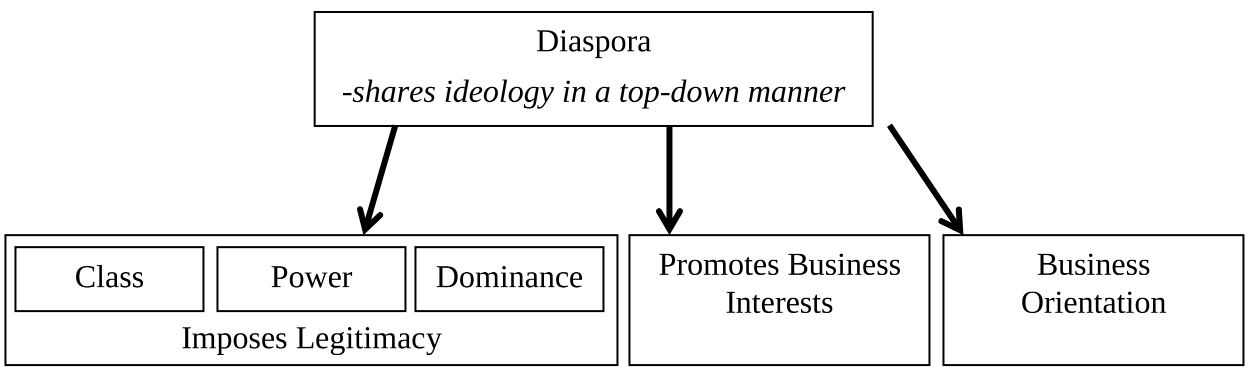
Applying CDA

NA indicated the existence of a transition in actors' orientation (i.e. paradigm shift). CDA allowed to the author to investigate the influence of the Diaspora on the observed social phenomenon. The use of this additional analytical lens helped reveal how the Diaspora influences entrepreneurs' business orientation, aspirations and strategic attitudes (i.e. top-down approach).

As part of the CDA analysis, the discourse was screened for evidence suggesting the institutionally imposed reasons that motivated the entrepreneurs to move from a more opportunistic to a more collectivistic attitude when operating in the Diaspora. Identifying members' perception of the Diaspora's ideology is the key to understanding how the institution influences the members. This is because members' newly developed social/business practices are part of a comprehensive system of self-representation, the aim of which is to increase adoption of the norms of the Diaspora, and therefore increase embeddedness.

The following graph illustrates the concepts that have emerged from the initial screening of entrepreneurs' accounts (i.e. class, power, dominance, business interests, business orientation). These were then used to test the recursion of the general trend of how Diaspora norms are perceived.

Figure 4.3: Applying Critical Discourse Analysis



The CDA examined the role of the Diaspora on the perceived legitimacy of the network members, in particular their class, power, and dominance. CDA tested the extent to which operating within the locus of the Diaspora reflects on the perceived incremental legitimacy of the actors operating. Additional areas of top-down influence that have been examined include the role of the Diaspora in shaping entrepreneurs' strategic thinking (i.e. business interests, aspirations and orientation).

4.6.5 Combining stages and actions

Table 4.5 below illustrates how the constant comparison method has been synchronized with the actions taken for the purpose of building a coherent data analysis model. This gradual process of analysis is a powerful tool for relating concepts built from the ideas, notions and thoughts of the interviewees with formal theories (Glaser and Strauss, 1967; Strauss and Corbin, 1990).

Table 4.5: Stages of constant comparisons

Stage	**Action Implemented**
1. ***Open sampling***: comparing incidents	***Open Coding***- creating concepts by: identification of prominent nodes of information, asking focused questions - *where*, *when*, *who* to better understand the data, running phrase frequency test on paragraphs text segments, examining sensitivity of phrases that assert a statement and properties of intentional language (e.g. Table 5.1), constructing labels and memos.
2. ***Relational sampling***: categorizing and integrating categories	***Axial Coding***- detecting patterns by: exploring links and relations, constructing memos and diagrams.
3. ***Discriminate sampling***: delimiting theory	***Selective Coding*** - reducing data by: narrowing the number of phenomena and themes, integrating categories, identifying central phenomenon, relating of the phenomenon to other nodes.
4. Theory writing	Memos, reviewing literature.

The stages of the synchronized constant comparison method are a central part of the broader abductive research process, which this study employs. Figure 4.4 shows a summary of the abductive research process, which, according to Blaikie (2000), should be a derivative of the relation between data and existing theory, facilitated by the academic investigator. The figure below expresses the depth of this process and is considered a valuable visualization of how the abductive approach was operationalized in the analysis of the data.

Figure 4.4: Abductive Research Process (Adapted from Goulding, 2002)

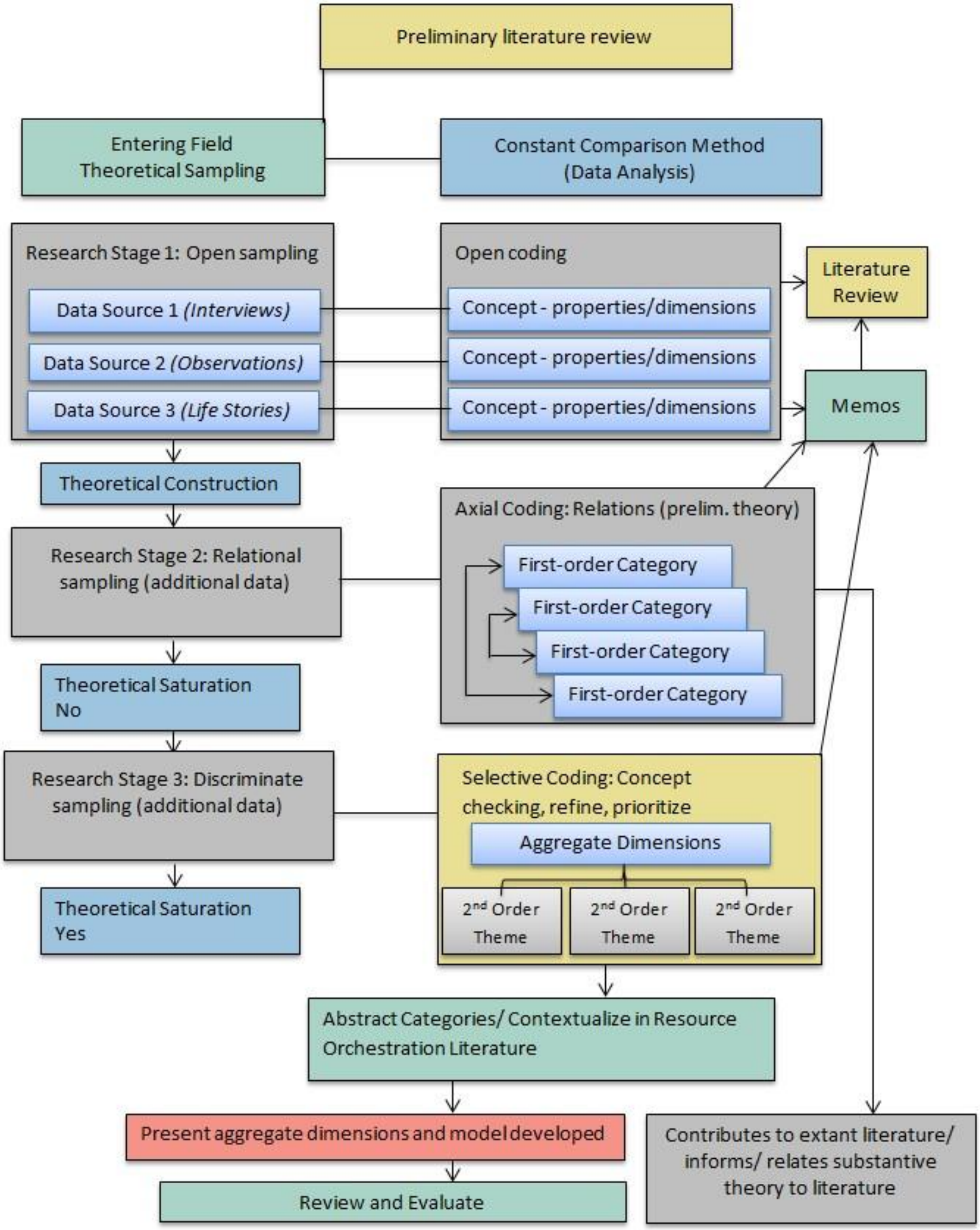


Figure 4.4 represents the abductive research process, which the study adopts. The figure illustrates how data and theoretical ideas were intertwined and data was continuously reinterpreted in light of the emerging theories. The process started with the preliminary literature review, which allowed the researcher to enter the field with an awareness of the theories and concepts that may be applicable to the observed phenomenon. However, the applicability of prior theories was examined in a dynamic manner (i.e. the constant comparison between the primary data and existing theories) in order to better examine their explanatory power.

The study is a derivative of the relation between data and existing theory. That relation is facilitated by the academic investigator and can be seen in each of the analysis stages. All concepts and relationships extracted during the three research stages (i.e. open sampling, relational sampling, and discriminate sampling) are then juxtaposed with existing literature. The theory derived from this process is believed to better fit already existing knowledge schemes, while effectively filling the existing knowledge gaps.

4.7 Illustration of the Analysis Process

In this section, we exemplify the process of how the data was analyzed and abstracted through the employed text mining procedures that assisted coding.

During open coding

Along with the manual creation of concepts via the identification of prominent nodes of information, the generation of a list of the most commonly occurring words also facilitated the open coding stage. Due to the richness of the data and for the purpose of achieving unbiased coding that better reflects the entrepreneurs' narratives and their perceptions of what is valued in their social strata, a word frequency test on paragraphs text segments was run. The test generates a list of the words that occur most often in the discourse of the studied transnational entrepreneurs. The most frequent signal words that the data signposted when the test was run on one thousand word frequency criteria were: *community, connection, organization, assistance, links, network, groups, internal,* *opportunity, background, relationships.* The most common words and phrases have guided the preliminary coding that took place in this stage.

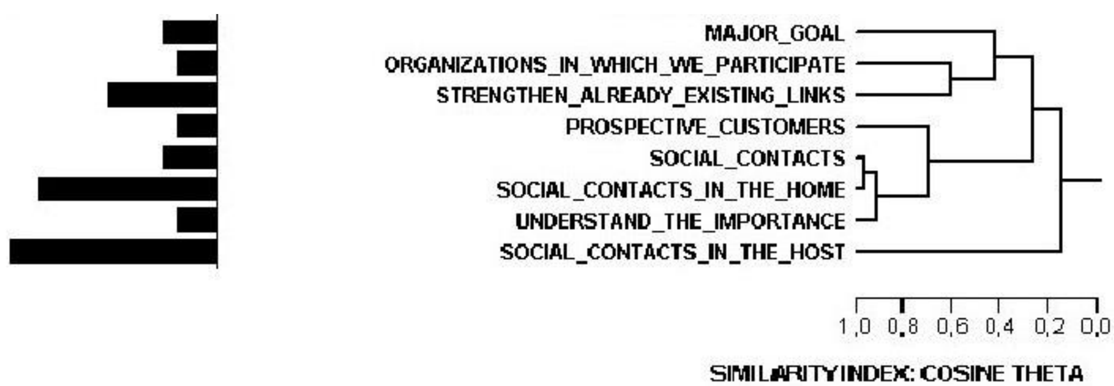
During axial coding

A semantic overview of the data has been employed during the axial coding stage. A phrase frequency test was conducted and generated a list of the phrases that occur most often in the discourse of the studied transnational entrepreneurs.

The phrases were automatically categorized in *QDA Miner* using a dictionary approach, which makes it possible to capture similar phrases by attributing appropriate synonyms from within the data. The final text mining procedure was the application of the similarity index coefficient (*cosine theta*) used to design a cluster (*multidimensional scaling*) based on the proximity of the phrases in the text, while taking into consideration not only the presence of the codes, but also their frequency of appearance.

The similarity grouping at this stage served to identify first-order categories (relations). As shown in the graph below, the multidimensional scaling thus achieved has been beneficial for information visualization of the similarities in the data.

Figure 4.5: Similarity grouping example



Although Figure 4.5 gives us an idea of the dependent and the independent factors that influence TEs' activities, it is limited by its nature if not juxtaposed with the context. For that reason, the multidimensional scaling is regarded as peripheral evidence or an intuitive coding direction suggested by the data. It is important not to decontextualize the concepts emerging from the data. Therefore, relevant data was manually located to support the generated patterns. In the cases when support data was not detected or when the in-text context differed from the context inferred from the generated patterns, the last were not taken into consideration for the construction of patterns.

The exploration and the contextualization of the classification model starts from the factors with highest proximity to each other and will gradually move outwards. The selected classification consists of mini-clusters with a particular focus. The first one is comprised of the emergent factors ‘social contacts’, ‘social contacts in the home (country)’, ‘understand the importance’, all of which are influenced by the ‘prospective customers’ cause, indicating that the cluster occurs on a *business entity level.*

The second mini-cluster, comprised by the factors ‘organizations in which we participate’ and ‘strengthen already existing links’ (the latter of which is widely regarded as a ‘major goal’), is positioned on a *network/organizational level*.

The last element, *social contacts in the host* [*country*], is considered to be on a separate dimension from the other two and is also not explicitly detectable among the factors with the highest proximity. However, this element has been grouped with both mini-clusters, which suggests interdependence. As a result, a question that the ensuing analysis should answer is why the relationship between social contacts in the host (country) and the other mini-clusters becomes clearer only after the consolidation of the *business entity* and the *network/organizational* levels.

Contextualizing these proximity clusters allows the researcher to explore the invisible link between them and reveal patterns within the data, which in turn makes it possible to not only answer the questions that have been raised, but also to construct theory.

For selective coding

In this section, the number of phenomena identified in the prior stages is narrowed down and categories integrated where possible. As Miles and Huberman (1994:10) state, “data reduction refers to the process of selecting focusing, simplifying, abstracting and transforming the data that appear in written-up field notes or transcriptions”. Data reduction has been carried out by taking into consideration the word and phrase frequency of appearance in the text, as well as by a general semantic analysis[7]. This information was used for revealing the central phenomena that stem from the data.

The step-by-step approach outlined above for scrutinizing the data in a systematic manner (from *open*, to *axial* to *selective coding*) concludes with executing the data reduction in the selective coding stage. The gradual process is exemplified by Figure 6.1, where we have conceptualized the analysis by dividing it into first-order categories, second-order themes, and aggregate dimensions.

[7] The semantic analysis includes identifying 1) Unqualified statements and absolute words/phrases; 2) Non-quantifying or generalizing words/phrases; 3) Evaluative and signal words/phrases, where understanding the intensity or the degree of an activity was necessary; or where sensitivity to phrases that assert a statement was desired; e.g., level of participation in organizations with links to the home country (Table 5.1)

CHAPTER FIVE

Developing and Improving Capabilities for Market Integration

5.1 Introduction

This chapter presents the findings of the study related to the research question: *How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness?* The conducted interviews, oral/life stories and participant observations are examined through critical discourse and narrative analysis. The cross-firm thematic analysis of the data brings the operational model utilized by members of the transnational entrepreneurial community into view. This allows us to understand entrepreneurs' social representation together with their information processing social or technological mechanisms and their wide range of strategies for reducing the liabilities they face.

The chapter provides an account of entrepreneurs' perspectives on community formation among immigrants within the UK, as well as the actual characteristics of transnational communities. The discussion gradually shifts to the initiatives actors realize within the community structure, and whether and how that influences their business operations. The findings suggest that rather than creating a locked-in effect for ethnic nationals for the purpose of preserving and differentiating their own national culture from that of their hosts, the transnational (diaspora) communities provide a ground for transition to the new environment, while upholding identity.

Following general semantic principles, common signal words were revealed, which showed the propensity of transnational entrepreneurs regarding intentional language use. As a result of the directed word, phrase and structure dimensions of the semantic analysis, strong network orientation and embeddedness aspirations have been revealed.

The story shows that the participation in Diaspora organizations builds social ties that can be employed in the process of business formation and growth and product/service realization. The strong causal relationship between social ties and their utilization for the purpose of business development, revealed through the emergence from the data of factors such as *expertise* and *bridging capabilities,* allows Diasporas to function as networks of practice that connect entrepreneurial opportunity seekers with the object of their interest. The desired product of the emergent network collaboration is greater reciprocated benefits. TEs are found to possess well-structured expectations of the benefits that they hope to incur from their social embeddedness. Moreover, it seems that what they expect to get, in terms of capabilities, is what assists them in the combat against the pressing liabilities of newness and foreignness. The observed consistency is clearly due to the fact that TEs' expectations are instigated by their most pressing business needs, found to be the successful business integration in the host country business environment.

The observed model illustrates a novel competitive orientation that various transnational entrepreneurs embrace, explicitly placing competition on the network level rather than the firm-to-firm level, which gives the network a sort of incubator function.

The observed paradigm is a tool that enables entrepreneurs to surmount pressing liabilities, including managerial limitations and knowledge insufficiencies, by the verification of the relevance of their capabilities. The influence of the Diaspora in that direction (i.e. *verification*) has been tested in the analysis. We have constructed a framework that shows how TEs clearly define their needs for verification in terms of knowledge and guidelines in three key areas: *market practices* (due to their market disorientation), *production practices* (due to their service offering or production difficulties) and *management practices* (due to their significant managerial challenges). The network path for fulfilling these needs has been elucidated.

Nevertheless, the verification scheme has been revealed to be only one element of the observed system for reducing the liabilities of newness and foreignness. In this chapter it is further shown how the verification takes place, as well as the role it plays within the broader mechanism that makes it possible to synchronize knowledge portfolio development and align it with the host-country environment.

This chapter examines the way processes of knowledge portfolio development and knowledge alignment interact on a micro level to promote the creation of value unobstructed by LOF. The synchronization of processes and their logical ordering represent the microfoundational prerequisite for the development of environment-specific advantages in the host-country setting. The complex relationships among the processes of *preparation*, *paradigm shift* and *initiation* are considered, which helps to explain not only the flow of knowledge in the transnational setting, but also how knowledge is structured and bundled. Last but not least, there appears to be an important sequential element in resource orchestration when it comes to orchestrating resources specifically for diminishing LOF. This element, integrated within the broader model, will be further discussed in Chapter 6.

5.2 From self-identification to better integration in the host market

The ethnographic study presented here provides an account based on the narratives of transnational entrepreneurs from Bulgaria about how participation in Diaspora networks helps them to overcome liabilities of newness and foreignness when establishing new ventures. The entrepreneurs have discussed their perspectives on the formation of a community of immigrants within the UK. The discussion later shifted to a more focused discourse on the initiatives they realize within the same community structure, and whether and how that influences their business operations.

> *It is normal to always go back to your roots, especially when being abroad and far from family and friends. To me, the determination to relate to compatriots is not a sign of one's inability to adapt to the new environment or become fully integrated in the more diverse British society. Instead, it is a sign of preserving identity, which is important in the business field as well. I have brought locals to some culture-related events and performances organized by the Bulgarian embassy, this is a way of showing them who I really am. In a way, if you are*

> *trying to hide your background that does not create any trust, and this will probably lead to being rejected by both your people and the new society. The integration in the foreign environment certainly goes though being upfront about your own culture and belongingness.* (Entrepreneur G)

This quote shows the conviction of the entrepreneur that ethnic communities are useful for the integration of immigrants in the new environment. Rather than creating a locked-in effect for ethnic nationals for the purpose of preserving and differentiating the national culture from the foreign one, diaspora communities provide a ground for transition into the new environment, while upholding identity.

Moreover, the specific example reveals that occasionally the national and the cultural belongingness could be utilized for trust building purposes and the better integration to other parties (British locals), by showing the latter the TE's background through cultural events and performances. The perceived general benefit of being part of the ethnic community lies between the desire for better integration in the foreign country and the fear of "*being rejected by both your people and the new society".* For that reason, the interviewee claims that it is normal and common for immigrants to remain affiliated to their national roots even when in the host country.

The discourse of another transnational entrepreneur provided a more entrepreneurial perspective of the importance of remaining active in the ethnic community, which is a continuation of the general premise regarding self-identification through the ethnic community.

> *I am affiliated* [to national roots/national identity] *and I will always be. I am not trying to run away from my identity because this is who I really am. Furthermore, it is my home country and that of the people from my country that basically developed my business. I would probably still work for somebody else if it were not my idea to make some profit on my compatriots' needs and my familiarity with Bulgarian food and culture. Of course, it is easy for me to disregard all that as I now count on not only Bulgarian products and consumers, but it would be wrong. I can also say that it was only my own efforts that created the company; however, that would also be wrong. I have benefited a lot and I will always be very thankful. I still go back very regularly, although my family is here now. I talk to my friends; I talk to the people who advised me all these years.* (Entrepreneur A)

This quote implies the value that personal identity and relatedness to the home country have at the early stages of a company's emergence and development. The entrepreneur clearly links his success to his capitalizing on his close stance to the culture and the product that originate from the home country. Moreover, the value of the observed relatedness is shown to extend beyond the start of the business operations and to continue throughout the existence of the venture through acquiring business advice from compatriots.

The same has been evident in the discourse of other entrepreneurs who put even more emphasis on why community formation among immigrants within the UK is important for the ongoing development of their activities.

> *I cannot detach from my home country. Not only in a personal way, but also in a professional way. If I detach then I will lose my positions, my contacts and I will not be able to continue my business. How can foreign [i.e., British] companies trust my professional judgment about the business activities in Bulgaria if I am not close to the environment? Being affiliated to the home country is my job, and the more affiliated I am, the better I am at my job.* (Entrepreneur C)

The high recurrence of the observed relationship between ethnic and occupational affiliation points to the existence of factors that benefit entrepreneurs through their contact with the Diaspora organization. This was discussed by the majority of the TEs involved in the study. However, in order to further verify this, a word frequency test has been run through NVivo software. Following general semantic principles, common signal words were revealed. By identifying signal words and phrases, projections and statements could be evaluated in order to support or reject the existence of a theme signaled by the structure analysis of the semantics indicated above.

Among the most frequent signal words that the data signposted when the test was run on one thousand word frequency criteria were: *community, connection, organization, assistance, links, network, groups, internal, opportunity, background, relationships.* These words are indicative of the available themes in the text. In order to test the scope of these themes throughout the data, manual selective coding was conducted. This allowed enriching the themes by locating their projections in multiple interviews, namely the words communication, familiarity, proximity, Diaspora, social ties, symbiosis, market competencies, interdependence.

As a result of the directed word, phrase and structure dimensions of the semantic analysis, strong network orientation and embeddedness aspirations have been revealed. This led to the researcher's subsequent interest in identifying whether upholding social ties within the transnational network supports long-term business endeavors. A particular story that exposed the relationship between social ties of ethnic character and business endeavors is provided below.

> *We work closely with some Bulgarian business organizations that we have met here. We exchange ideas and discuss legislation and how it affects the cases we are working on. We compare results and discuss the future of our businesses. Among other things, we try to collaborate in order to achieve benefits for us and our clients. That collaboration also allows us to benefit from each other's knowledge without having the need to hire more personnel. Hiring people is good when productivity increases, but increasing the productivity without hiring extra people is even better as it increases our success rate.* (Entrepreneur J)

The story shows that the participation in Diaspora organizations builds social ties, which can be employed in the process of business formation and growth and product/service realization. The particular means of assistance that have been observed include networking opportunities that reveal prospects for sponsorship, knowledge transfer, a wide range of assistance covering institutional and legal support functions in the host country and import/export procedures.

The associated symbiosis that occurs through the exchange of market-favored competencies is proved to easily evolve into resource interdependency in which two or more companies share common knowledge, technology or a service pool that allows for greater specialization of the individual companies.

Specific words and phrases that reveal the long-term cooperative orientation and the symbiosis of the embedded actors include *work closely, collaborate, compare results, discuss, exchange ideas.* Therefore, upholding social ties within the transnational network is believed by TEs to support their operations in the long-term. To assure the proper generalization of the aspirations for cooperative business relatedness throughout the sample, *t*races of the same phenomenon have been manually identified all over the sample. For example:

> *I maintain these relationships … we keep in touch. These acquaintances are a very good way to generate business ideas. They are familiar with my business and give good advice. I do the same for their business and we cooperate when there is such an opportunity.* (Entrepreneur J)

> *I, as an owner, go and talk to different people, collaborate with them, plan about the future with them.* (Entrepreneur A)

The long-term orientation that they possess seems prevalent and may be necessary for mutual operations to take place. Particular phrases that suggest the longitudinal reliance on relatedness include variations of *cooperation* and *future*, which indicates the entrepreneurs' desire for continuation of the observed interdependence.

> *The communication that we have in the community is the reason to cooperate frequently. In the long term, this brings positives for both sides.* (Entrepreneur C)

The TEs' close interaction forms a new competitive orientation that some entrepreneurs adopt, in which competition takes place on the network level, rather than on a firm-to-firm level. The particular case that best exemplifies this is that of a Bulgarian wine import company that works closely with national competitors as they seem to share the common goal of improving the product's acceptance in the foreign market environment.

> *We are now trying to gain sufficient customer acceptance and that is the reason we work closely with other associations that aim at improving the acceptance of Bulgarian wine. This goal motivates us to cooperate with our major competitors, as we all feel that inserting the product in the foreign market is a key step before we unfold our sales potential.* (Entrepreneur H)

The desired outcome of the emergent network collaboration is the greater reciprocated benefits that cannot be achieved through isolated activities. Similar cases are abundant in the data, which establishes general support for the observed account. To provide more evidence of the broader collaboration that takes place within the transnational network, a word frequency query test has been run again. This time the occurrence criterion for regularities has been diminished to fifty signal words and phrases. The incidence has been purified by including a control factor that disregarded what has been considered non-contextual data (e.g. frequency counts on *I*, *we*, *you* etc.). The outcome of this test drew the signal words *country*, *communication*, *information* and *community*, in that order. The remark that *country* does not necessarily relate to the emergence of network collaboration based on belongingness as it could refer to both home and host country is invalid, as the signal word is related to *community*, which also appeared in the test. At the same time, it is admitted that further refinement based on coding could indeed impact the occurrence rate and change the order of the themes extracted in this manner. Nevertheless, the observation is believed to hold due to the high incidence of its relatedness to *community* in the data.

5.3 Network externalization

The data on TEs collected for this study suggests that the externalization of network relations over a wide system of similar and diverse business units is possible, when founded on cultural similarities and common belongingness. The phenomenon consists in the orbit of transnational firms around Diaspora organizations, which defines their social belongingness and coexistence in a common system.

> *Apart from promoting what we do and getting new clients, the participation in such organizations builds reputation and establishes various contacts to different business spheres and social circles. By increasing our contacts to different companies, we get to know what marketing activities they have engaged in and whether these activities were successful. Therefore, if we have a client from the same industry in the future we would know what might work and what will not. This is very valuable!* (Entrepreneur B)

The resultant strong network-centered orientation, revealed through the signal phrases frequency query test, accelerates the externalization of internal competencies and capabilities and their transfer to related parties.

> *We often talk with the members of the British Bulgarian chamber of commerce. The members of the organization are extremely experienced. Many of them have already achieved significant success and want to grow even further. These are people who have shown strengths and capabilities that the market has accepted. Most of them are experts in doing business and they can help with direct advices and share stories what has happened when a company engaged a particular strategy. Moreover, they have many business contacts with people from various*

> *spheres, which can also benefit us as information does not flow directly. Discussing with members enhances referrals and linking to other parties, which creates a significant mechanism for transferring business ideas and facilitating problem solving.* (Entrepreneur L)

The careful observation of the linguistic dimensions embedded in the derived narrative content allows the extraction of specific causal relationships important for the thorough empirical measurement of whether and how social ties relate to business formation and growth. The above story concentrates on particular factors, such as *expertise* and *bridging capabilities*. The first factor is evident from multiple pointer phrases such as *extremely experienced*, *achieved significant success*, *showed strengths and capabilities that the market has accepted, experts.* The second factor, *bridging*, is uncovered by the phrases: *share stories*, *provide direct advice*, *benefit us, discussing, enhances referrals, linking to other parties.*

Both factors seem to be fundamental drivers of the causal relationship between social ties and their utilization for the purpose of business development. Entrepreneur L implies that actors who *have many business contacts* in *various spheres* are regarded as important gatekeepers that could bridge *expertise* through *referrals*.

The axial coding related the pointer phrases falling under the two general categories to various ethnographic cases – all of them following the same causal relationship and related to the same general purpose, namely building social ties that could be utilized for business formation and growth. This common observation matches perfectly the expression *a significant mechanism for transferring business ideas and facilitating problem solving*, which was used by the entrepreneur. This expertise bridging through social relatedness is a perfect tool that empowers entrepreneurs to overcome serious constraints, including managerial limitations and knowledge insufficiencies.

> *After following the recommendation of a fellow Bulgarian business owner, I joined the UK Trade & Investment organization and also made my presence in the British Bulgarian Chamber of Commerce more stable, through establishing some more persistent positions. It is not that one is more important than the other. Both have complimentary purposes for me and my business.*
>
> *In the UK Trade & Investment organization I am particularly interested in the events that they organize to promote and familiarize investors and small and*

> *medium sized businesses about the benefits that the Bulgarian market can offer. The organization is helping businesspersons by providing them with a range of services, and we strive to work closely with them in order to establish our name among that group of people. The British Bulgarian Chamber of Commerce is more focused; it also sponsors similar activities. It is slightly different, however; it focuses more heavily on networking and providing information to its members so that they can make educated decisions by themselves, whereas in the other organization people are more open to go abroad but might have not decided on a particular country. Our support is to provide a broad evaluation of the market and offer them a snapshot of the potential opportunities. Those that become interested in the country often become our customers as we were the first ones to open their eyes to that market.* (Entrepreneur D)

The data shows that the involvement in Diaspora organizations constructs social ties that go beyond the boundaries of the immediate organization. In this specific case, the entrepreneur has been introduced to the operations of other organizations through intersecting contacts of ethnic channels. This again exemplifies that social relatedness emerging in the Diaspora network is often employed for the achievement of business success aspirations. The means of support accessed by networking include information about various opportunities for such things as knowledge exchange, funding, legal/institutional support for foreign environment specific operations, as well as product/service realization through achieving direct positioning to new customer pools.

5.4 Business Incubation within Diasporas

This section presents data that validates the proposition that ethnic Diasporas may serve to support transnational businesses entities. By providing a number of business support services and resources, orchestrated by entrepreneurial members, Diasporas resemble business incubators allowing incumbents to develop capabilities for the reduction of liabilities.

To arrive at this conclusion, the discussion goes through a number of important subthemes – the question of liabilities, the organizational structure of the Diaspora, the strength of ties within the network, and finally the benefits to entrepreneurs – with special attention paid to the informational and reciprocal nature of most benefits. In addition to similarities between Diaspora networks and business incubators, the dialogue considers some differences that should also be taken into account when juxtaposing the nature of these supportive domains. This section now turns to the evidence for the claim that business-incubating hubs exist within Diaspora organizations.

The interviews conducted with members of the British-Bulgarian Chamber of Commerce, as well as with some of the administrators that run the organization, demonstrated that the positive influence that transnational entrepreneurial companies experience through their interaction with and within the Diaspora is not simply automatic, but a result of systematic efforts and stimuli from the home country's political environment.

> *The chamber of commerce is more for ideas, and the British companies we work with give us business problems and we provide the solution. It is just a tool to channel the ready solutions to the foreign customers.* (Entrepreneur K)

The Chamber of Commerce is a government led initiative whose key function is to support business activities between the UK and Bulgaria. As described in the official website, the aim of the organization is to:

> **…** *offer practical assistance on a regular basis. We maintain an active information network by means of our website and by organizing events such as business missions, seminars and social meetings with guest speakers who have special expertise and knowledge of the market. We can also provide contacts for a range of business services such as translation, legalization, transportation and logistics, legal services, business consultancy, market research and many others.* (BBCC website)

Strong connections between formal government organizations and non-governmental Diaspora structures have been revealed through the stories of transnational entrepreneurs and the synopsis of the BBCC.

> ***The Chamber*** *works in close association with the Bulgarian Embassy in London, the British Embassy in Sofia, UK Trade & Investment and with local chambers of commerce. The BBCC board is composed of members from Britain and Bulgaria who have extensive personal contacts in government and business circles in both countries and we are therefore ideally placed to help member companies achieve their business aims.* (BBCC website)

Based on the overview of the organization's parties, two groups of collaborators could be distinguished: **institutional**, including other governmental organizations such as the embassies and the Trade & Investment forum, and **non-institutional**, who are people with *extensive personal contacts* and access to *business circles in both countries.* These two characteristics of the members of the BBCC perfectly match the definition of transnational entrepreneurs, who similarly engage in cross-country business circles and possess extensive contacts on various levels and in at least two countries.

The organization is comprised of two types of members, who have the same advantages and administrative responsibilities upon joining BBCC. According to the membership application form, membership is possible for organizations or individuals who have self-employed status.

Interestingly enough, the majority of individual/self-employed members are of Bulgarian origin, while the majority of the organizational members are British corporations. This finding matches the comment of an executive from the BBCC that the organization emphasizes assisting Bulgarian entrepreneurs who want to develop business activities in the UK.

The observed relatedness between institutional and non-institutional collaborators is strengthened by the observation that among the organizational members of BBCC there are Diaspora social structures, such as the Bulgarian City Club, whose mission statement clearly states:

> *The Bulgarian City Club seeks to facilitate the exchange of ideas and information among professionals having business and personal interests in Bulgaria. The Club works for the promotion of Bulgaria in the City of London and in the United Kingdom.* (Bulgarian City Club official website)

The interdependence of institutional and non-institutional organizations, including the Diaspora organization, allows for the better reflection of the environment through incorporating the perceptions of numerous interconnected actors. The interconnectedness of the actors' views is believed to result in a more accurate common understanding of the business environment and the available opportunities.

The perspectives collected from entrepreneurs, coupled with the in-depth investigation of the purposes of the British Bulgarian Chamber of Commerce, suggest that home country government and legislators support the creation of non-business institutions. These institutions encourage the emergence and the development of transnational business activities, as it is believed that transnational networks can create employment and facilitate innovative activities. These benefits can later be circulated within the scope of the network and reach the home country market. Thus, it is important for the home country to diminish occurrence of market failure, mainly due to asymmetric information that increases transactions costs.

Normally, decreased asymmetric information and transaction costs could be achieved through regulations, as proposed by the normative theory of market failure. However, using the common tools of reducing market failures through the implementation of either price mechanisms or particular legislations is unfeasible due to jurisdiction limitations. Therefore, home country support for transnational activities is difficult as such activities cross jurisdiction borders.

However, this does not eliminate the need for market failure reduction, especially at the early stages when a company is easily affected by many external forces, both market and non-market. The consideration for transnational companies' preservation motivates the government organizations' close interaction with various Diasporas within different geographical contexts. The coordination between both institutional strata has the purpose of mapping relevant social structures and events that meet the needs and expectations of the interviewed TEs for decreasing market failure.

> *The organization also refers to its members, experienced individuals like me who can provide them with professional advice. I have been invited by them several times. I have also volunteered to provide my expertise on particular topics that they have been interested in. This activity focuses heavily on networking and providing information to the others so that they can make educated decisions by themselves, or just hire me to get further support and actual evaluations.* (Entrepreneur E)

The above quote is an example of the government led initiative to support transnational business activities through chambers of commerce. By inviting Entrepreneur E and similar highly experienced individuals, the organization meets its objective to support business activities between the UK and Bulgaria, while not exceeding its jurisdiction and interfering in the foreign business environment. The support that is provided to the transnational community does not follow the common national practices - price mechanisms or binding legislation - but rather has an indicative character. The unobstructive way of increasing business success through decreasing asymmetric information is based on the TEs' willingness and ability to proactively seek and receive knowledge.

> *Hardly a day goes by without conducting some communicational activities with the home country. At the meetings of the chamber of commerce, there are always Bulgarian companies and I always go and communicate with them about their interests, desires, expectations. We build links that go beyond the organization's ground. We communicate with others even if they are already working with another marketing company. We invite them to talk to our previous clients to see whether they were pleased with our services. This also gives prospective clients the opportunity to meet another company operating in the same or different sectors. At the end [of this process], we know more about them, but they also know more about us. As a marketing company it is crucial to engage in some good self-marketing, this creates the first impression about our company's capabilities.* (Entrepreneur B)

This shows that it is important how actors operate inside the institutional framework that supports development through governmental (e.g. BBCC) or non-governmental organizations (e.g. Diasporas), and whether they manage to transcend the structures' immediate purposes and adapt them in order to form a mechanism for achieving their own professional goals and objectives.

For this reason, this research focuses not on institutional support itself but rather on TEs' orientation to engage in transnational social networks for the purpose of enhancing their business awareness and grasping arising opportunities. This same attitude is evident from Entrepreneur E's story, provided above. He operates in the legal consulting sector, and therefore his professional background and understanding of the subject matches BBCC's objective to "provide contacts for a range of business services such as translation, *legalization*, transportation and logistics, *legal services*, business consultancy, market research and many others" (BBCC official website; emphasis added). E's statement that he has *volunteered*, as well as been *invited to provide expertise* at meetings, is clarified by a later statement:

> *This activity focuses heavily on networking and providing information to the others so that they can make educated decisions by themselves, or just hire me to get further support and actual evaluations.* (Entrepreneur E)

When looked at together, these statements reveal a strong causal relationship. Knowing that the entrepreneur has been invited and has volunteered gives certain valuable information, even if the specific order of these events remains unknown. In either scenario, the actor has made a strategic step either to initiate a relationship through first volunteering, or to continue such a relationship if we assume that he was first invited. In either case, there must be motivation, which is most likely convergent on the idea of *just hire me to get further support and actual evaluations.* The outcome of the causal relationship is certainly an expected increase in the number of prospective customers. The further coding conducted with NVivo reveals a similar motivation among other members of business and social groups.

> *We participate in the British Bulgarian Chamber of Commerce [...] The purpose of that organization is to facilitate networking and information exchange. It is actually a very good association that helps by organizing seminars, meetings, inviting speakers, and so on. Our involvement helps the company's development as we manage to capitalize on our background and familiarity with the Bulgarian business environment. We have had clients who are also members of the association and who wanted us to increase their marketability over there. It is a great opportunity to meet prospective clients but also to learn more about business practices.* (Entrepreneur B)

When asked about the degree of participation in organizations with links to the home country the same causal relationship appeared:

> *We participate a lot, we seldom miss a meeting. It is a good platform to promote our services. We have hosted a marketing seminar there. We have introduced the importance of building a good business position even before engaging in the business of the country. We have provided a group of business owners with the questions they should answer before starting the business and also the questions they need to answer if they want to further develop their business. The answers, however, are too individual, they are highly dependent on the nature of the particular business, so we could not generalize and offered them our services at*

> *the end. Many of them showed interest in the company and have worked with us, or might choose our services at a later stage.* (Entrepreneur B)

Both the membership and the degree of participation are based on the social actors' personal choice. This again underlines the importance, not of the existence of regulated institutional support units, but of the awareness of the benefits of engaging in transnational social networks. In order to strengthen the emergent conviction of TEs' robust self-initiated relatedness and high degree of participation, semantic analysis has been employed as a means to confirm or refute the observed tendency.

The semantic analysis targeted specifically the data within the content of answers to the question "To what degree do you participate in this organization/such organizations?" in order to scrutinize the degree of participation in organizations with links to the home country. The focus of the semantic analysis allowed accentuating on and solidifying the causal relationship that appeared earlier.

To execute the desired semantic analysis, unqualified statements and absolute words/phrases; non-quantifying or generalizing words/phrases; and evaluative and signal words/phrases were extracted from the qualitative data. This is used to reveal the essential properties of an infinite set. Structuring data upon these properties is considered a sufficient condition that would allow drawing conclusion about the level of TE's belongingness.

Table 5.1: General semantic analysis applied for determining the degree of participation in organizations with links to the home country

Unqualified statements and absolute words/phrases	
Seldom miss a meeting	*Attend as many as possible*
Most active	*Go to most of the events/meetings*
Go regularly	*We see each other very often*
We discuss frequently	*We cooperate regularly*
Sometimes we plan	*Usually they would call me*
Non-quantifying or generalizing words/phrases	
Highly involved	*Strong participation/affiliation*
Strive to work closely with	*We have proven our strong position*
Strong relationship with the members	
Evaluative and signal words/phrases	
Get and provide great support	*Trustworthy communication channel*
I feel these people closer to me	*I have established a good reputation*
We have things in common	*Good flow of ideas*

*The semantic extracts are derived within the context of the following question only: "To what degree do you participate in this organization/such organizations?"

Although we cannot demonstrate a mathematical probability, the unqualified statements and absolute words/phrases listed in the table above reflect a degree of certainty when it comes to participation. Based on the above extracts, participation is not only seen in terms of strict attendance at meetings and cultural events, but it also extends to contribution and communication that go beyond the borders and the time span of the established institutional infrastructure.

Both groups of words or phrases, the non-quantifying or generalizing ones and the evaluative and signal ones, show a pervasive tendency to involvement throughout the sample. The degree of group-level participation is evaluated based on the intensity of the descriptions provided by TEs. They provided personal estimations of their engagement in transnational social networks. The observation of multiple cases of an event, looked at through the members' eyes, yielded a set of similar statements throughout the sample. Thus, given the common propensity towards transnational social networks, evident from the general statements and the specific projections of affiliation, the emergent finding of TEs' robust self-initiated relatedness and high degree of participation seems to hold.

The strong causal relationship between social ties and their utilization for the purpose of business development, revealed through the emergence from the data of factors such as *expertise* and *bridging capabilities,* allows Diasporas to function as networks of practice that connect entrepreneurial opportunity seekers with the object of their interest.

> *There are many purposes, it is just that some of them might not be evident from the very beginning. Sometimes it takes time to understand what is the value of such involvement. I think is good to get together with other likeminded individuals and just communicate. That helps the preservation of the ethnic identity but also facilitates other processes. I have worked with many of the people I meet in such events. It is absolutely amazing how small the world is. It has happened, several times, that I talk to somebody and I find out the brother or sister of that person is working for a logistics company, or is the manager in a food factory in Bulgaria, all these contacts come in handy and I try to increase their influence on my business. You can of course get in touch directly with managers of factories or distributors but it makes such a difference to know somebody who can connect you with their contact if you need anything. I have several different brands of products coming to my shops from that kind of accidental relations.* (Entrepreneur A)

This quote is a good example of the specific utilization of the Diaspora structures by an entrepreneur who relies on the vitality of his links between the home and the host country. By being an active member of the Diaspora the entrepreneur has observed increased benefits of sporadic character - "*It is absolutely amazing how small the world is",* and this has later influenced his understanding that the sporadic contacts may *come in handy*. His experience of acquiring valuable contacts is seen as reinforcing his motivation to remain within the Diaspora structure. In this particular example and others, the observation of Diaspora affiliation leading to new information/knowledge channels, often external organizations, has been predominant.

A’s statement that *all these contacts come in handy and I try to increase their influence on my business* expresses the engagement in efforts for the reinforcement of his presence in the social structure, the expected benefit being constructive proceedings that build up the business venture’s operations.

> *Ideas seldom come just like that, from the air. My idea was to open that kind of business and I did. Nevertheless, the hardest is the development of the business and this is the time when ideas are a necessity. I never wait for an idea to come, I look for them. It does not need to be my idea, I can add some little twist and it can be suitable for my shops. Talking to people is crucial, I mentioned that several times already but I cannot underestimate its importance. Different people, groups, communities all can add up to the business with ideas. I am always there to listen, and I am always there to ask (laughing).* (Entrepreneur A)

The entrepreneurs’ efforts to access information, knowledge and support for the purpose of developing, testing and marketing new products and services shape Diasporas as networks of practice that relate entrepreneurial opportunity seekers with other organizations or individuals. This became evident after the entrepreneur supported his words and the abovementioned process with an example.

> *I would not have had three shops if it were not for one of my friends and his idea. This is a Bulgarian person, a young guy, very smart man. He is working as a consultant and he really knows his field. I met him through some other people in the Bulgarian club. I told him that I have that company and also that we have the website which is going well and we are doing well. I told him that the company is small but we have modern thinking. He then asked me how we utilize the website. To be honest, at first I thought it is an empty question. It is a website for selling food products and drinks, I told him. He then told me that the websites can do much more and at first, I did not know what he meant. He then advised me to track the location of the customers and to be aware of the regions with the highest consumption. I did so, he helped me with this and I knew what to do next, I just waited for the right time to come and I opened another shop in the heart of that area. It worked, I always have customers there, they now buy more because it is cheaper as they do not pay for delivery, they just come.* (Entrepreneur A)

The entrepreneurs’ relatedness to Diasporas, motivated by emergent constructive reflections on companies’ operations, forms a learning environment that imitates the characteristics of business incubators. In addition to Entrepreneur A, Entrepreneur L also strongly indicates that actors who *have many business contacts* in *various spheres* are considered essential gatekeepers in the context of the Diaspora social network and have the important power to bridge *expertise* through *referrals*.

The similarity of Diaspora networks to business incubators is an observation emerging from the stories of all the interviewed transnational entrepreneurs. Being an actively engaged sub-community within the ethnic and cultural organizations provides stimuli for the establishment of a relevant schedule of events within these organizations that meets TEs' needs and expectations. TEs benefit from the social organizations' efforts to map and offer relevant events such as networking, training, mentoring events. The density of events and actors with similar entrepreneurial aspirations stimulates TEs' perception of an ecosystem for support. Mapping events and linking actors are seen as opportunities for nurturing business activities.

> *I approach people in a very open way. When I know that a person might help me by sharing something with me, I first of all prove that my use of the information will not interfere with their business activities. I also show that the other party will benefit from having me as a partner. I let them know that I am a team player and they can expect reciprocal activities from me. It is important to be supportive when they need it; this shows that I do not forget, which will be helpful in the future.* (Entrepreneur C)

For further evidence from a more focused narrative regarding the actors' interrelatedness and readiness for cooperation and information exchange, the entrepreneur has been asked whether he employs a particular tool that helps in gathering relevant information and evaluating business prospects.

> *A special tool or technique … well … I do not think I have one. However, what helps to get some kind of information is information trade. I do not only request, I am quite active in providing to others. Actually, if I want to ask a person in a very indirect, roundabout way about some opportunity I will often send him something that he or his company might be interested in. Then, two weeks later, I will get back to this person to ask about what interests me. This is a very unobtrusive way to communicate as you are offering something in advance rather than just demanding and expecting a positive outcome.* (Entrepreneur C)

The data points to the idea that the transnational entrepreneur aims at gaining respect by providing the potential contributor with an initial offset. The offset in this case has not been specified; however, within the context of the conducted ethnography and the data collection process, it became clear that the compensation typically has informational/knowledge characteristics (which might, in product oriented companies, as opposed to service ones, lead to more customers/sales or physical attributes in the context of cross-purchasing behavior).

Such collaboration tends to take on a more informal form, rather than the traditional form of a legally binding contract. In contrast to claims that open collaboration is dangerous as it can develop opportunism of the members, in practice it establishes a new control form that increases solidarity and stability through the notion of interdependency. This idea has been pervasive throughout the community because of the social connections that prevent opportunism.

> *People in our social circle know us, they know that we cannot afford to disappoint them, that is why our supporters give us access to customers or information that can lead us to such. It should be due to the social proximity that I have built with others. The people I communicate with help me to crystalize my thinking. They do not always understand that they have helped me but sometimes it takes just a small hint, occurring during conversations, to know what to do next.* (Entrepreneur E)

The observed model illustrates the tendency, mentioned earlier, for competition to be seen on the network level rather than the firm level. This can be seen in Entrepreneur C's already-quoted words that *I let them know that I am a team player and they can expect reciprocal activities from me. It is important to be supportive when they need it, this shows that I do not forget, which will be helpful in the future.*

Greater reciprocity, long-term survival and collaboration in the business field are central issues for transnational entrepreneurs as their newness converged with their liability of foreignness. The TEs in the studied sample understand the unfavorable position in which they find themselves upon starting business activities in the foreign environment.

> *The usual problems that we face are related to convincing companies to conduct business with Bulgarian partners. This is especially true for the members of the UK Trade & Investment organization who are often very unfamiliar with the business environment in Bulgaria and how much it improved after we joined the European Union. Our job even before conducting any business with them is to assure them of the plausibility of the statement that they can make a profit by*

> *trading with Bulgarian companies. This requires a lot of effort, and that does not guarantee that they will become interested in the opportunity. Moreover, even if they become interested, they might choose not to take advantage of our services. We aim to convince them that in order to escape from the potential risks they need a supporter that is familiar with the environment there. The balance between convincing them that they need us and that it is safe for their investment is very delicate.* (Entrepreneur D)

This story shows how the newness and the foreignness of a company might impede its development, especially when the product or service offered is not easily identified and widely acknowledged by the host country business community. Another example of TEs' recognition of their unfavorable position in terms of the liability of foreignness in particular is provided below.

> *The most common problems are emerging because of the unfamiliarity of the customers with the product. The high-end customers are used to buying French, Spanish wines, and we are trying to change their purchasing behavior and to make them experiment rather than being biased. It is very easy to lose customers if you do not offer the wine that they have preference for. Not all shop owners are willing to offer our wines because they know that wine drinkers seldom change their taste preferences.* (Entrepreneur H)

Transnational entrepreneurs' objective to overcome the liabilities of foreignness is accomplished by building strong Diaspora embeddedness, which, as will be shown later, promotes the market relevance of TEs' services and business strategies. Diaspora embeddedness as a sign of legitimacy is the sine qua non that equips companies with not only market efficiencies, but also the heterogeneous resources necessary for active engagement in the business environment (Nelson and Winter, 1982). In that way, bridging social capital can alleviate a company's resource insufficiencies or process inabilities by compensating them with partners' physical resources and operational knowhow (McEvily and Zaheer, 1999).

The similarity of Diaspora networks to business incubators is due to the network's ability to equip companies with market efficiencies and heterogeneous resources for successful engagement in the business environment. Nevertheless, in addition to the similarities, we need to consider the differences between the two supportive domains. The differences lie in the mechanisms through which they provide operational knowhow, but most importantly their nature. Motivated by different reasons (generating profit or achieving a social cause), “incubators typically seek to provide a nurturing business environment by actively ensuring that start-up firms get the resources, services, and assistance they need” (Bøllingtoft & Ulhøi, 2005:269). The functions of traditional business incubators are focused on the delivery of professional services to companies. This operational mechanism suggests a one-way transfer of value, in which the incubator delivers value to the incubated firm. This is usually reinforced by institutional (i.e. legally binding) rather than societal norms. Networks on the other hand (e.g. Diasporas) are associated with two-way value exchange. Individuals typically engage in the exchange voluntarily and deliver information, knowledge or other resources to another party. The exchange is facilitated by offering value of some kind in return, either simultaneously or at some point in the future. Although a voluntary act, the exchange is moderated by factors such as moral obligation or the trust that actors will reciprocate when possible or when needed. Such collaboration tends to take on a more informal form, rather than the traditional form of a legally binding contract. Thus, the dynamics surrounding the exchange are more nuanced in a network setting than in an incubator and as a result may involve extensive strategizing. A question that naturally arises is what the reason for preferring networks to business incubators can be, given the difficulty of navigating within a complex social domain. Answering this question reveals another important difference that needs to be taken into consideration when juxtaposing incubators and networks. Despite the fact that it demands advanced social engineering, a capability that many start-up companies may lack, operating with the locus of networks has a major advantage. A network setting provides the ground for developing dynamic and multiplex relationships that can support value exchange over time, as opposed to in one-off instances. The collaborative attitude (i.e. readiness to reciprocate) defines the quality of the value extracted from the network tie, as well as the longevity of the bond. Business incubators, on the other hand, “limit how long a new venture can stay in the facility and are in most cases restricted to new ventures only” (Bøllingtoft & Ulhøi, 2005:269). In addition, it is possible for a member to leave the premises of an incubator after acquiring the desired resources. By contrast, members of networks are usually cut off only if they break the social norms (e.g. act opportunistically). Additionally, their motivation for remaining in the network is the constant inflow of peripheral network members (weak ties) who bring new knowledge and opportunities. Therefore, continuous exposure to the network setting may have strong implications for opportunity recognition and its subsequent exploitation.

5.5 Decentralized network of operations

TEs' affinity for a common strategy creates strong network relatedness with no leadership restrictions. This, taken together with the freedom of coordination within the Diaspora structures that members experience, creates a decentralized system. This section examines the Diaspora network's decentralized nature of operations and the effects it has on knowledge sharing, learning and decision-making. To do so, the section presents and illustrates empirically the factors that address the functionality of the decentralization. These are the formation of communities of practice, which execute constant conversion of available knowledge within the network's social structures; members' exposure to emergent entrepreneurial opportunities; the ease of locating and relating to prospective partners across multiple geographic boundaries; and chances for task-related communication and knowledge exchange.

All of these factors have important implications for TEs' survival because when transnational entrepreneurial companies' newness, is combined with their owners' foreignness, outsidership is likely to become a central issue that challenges the sustainability of the business activities. This awareness constitutes venture owners' motivation for the reduction of the risks originating from both strands of liabilities – newness and foreignness.

The Bulgarian transnational entrepreneurs operating in the UK investigated here have a strong affinity for a common strategy – network relatedness - for the purpose of compensating for undeveloped competences and unsatisfactory resource reserves. Thorough examination of the discourse of the interviewed entrepreneurs has shown Diaspora social structures to be a place well-suited to the conversion of explicit and tacit knowledge, a process conducted for the purpose of recombining existing knowledge. As shown in the quote below, the associated knowledge sharing and construction within the social organization assist entrepreneurs by providing them with focused market information.

> *Individuals, when alone, are limited in their reasoning, I am not an exception. I need cooperation for some matters. The employees are a good starting point, but this is not enough. Many companies experience difficulties at the beginning, but I think […] establishing a company is like a marathon, and the finish line should be the time when the company opens and starts operating. If you want to participate in a marathon, you will not wait until the last moment and start preparing immediately before the race. It takes a lot of hard work, planning, consideration and talking to the right people.* (Entrepreneur E)

The market information TEs receive is a result of constant conversion of available knowledge within the network's social structures. The formation of communities of practice, in which knowledge transfers much faster, becomes essential for the collaboration process. Communities of practice within the Diaspora not only activate reciprocity, but also cultivate links to a wide range of producers, suppliers, business professionals and potential investors from different markets. Communities of practice serve as an apparatus that, by connecting different parties, facilitates TEs' attempts to develop or improve capabilities for the purpose of achieving higher competitiveness in the market.

> *The contacts from the Bulgarian business community are very important to me. I was first introduced to this group of professionals by attending a series of workshops organized under the aegis of the embassy and the chamber of commerce. It might sound like a very official arrangement but it is really not, the seminars that are organized are instigated by our ideas and needs. In addition, it is not as formal as you might think. Once I was introduced, attended several of their formal meetings and then introduced others, I found out that they have informal ones, where the broader audience is to some extent limited. It took me a while to get to know the people but once the contact is established, nobody is dependent on the formal agenda of the embassy as planning for events and idea exchanges happen behind the scenes.* (Entrepreneur F)

Following its efforts to nurture and facilitate the development of smooth adaptation process and practices, the Diaspora organization provides a certain degree of freedom of coordination within its structures. The decentralized nature of the diaspora allows its members to connect to each other freely. That institutional feature nurtures the actors' personal pursuing of operations, communication *behind the scenes,* which matches the host country market's demands. In that manner, being admitted to a decentralized network, such as a Diaspora, may deliver formal (openly shared) and informal (restricted for *the broader audience*) supplementary opportunities for the effective utilization of benefits by transnational entrepreneurs.

On the other hand, only having access to a decentralized network may not provide equal exposure to emergent opportunities, and therefore their subsequent exploitation and absorption may be hindered. It seems logical that if openly distributed and restricted information are transmitted within the same organizational infrastructure, actors are given the opportunity to not only satisfy general knowledge demands, but also build a degree of competitiveness based on the restricted information. From the above excerpt, it follows that the TEs' ability to attend *idea exchanges* that *happen behind the scenes* is dependent on their capacity to act as bridging actors: *Once I was introduced, attended several of their formal meetings and then introduced others, I found out that they have informal ones, where the broader audience is to some extent limited.* The ability to show initiation skills through commencing cooperation and knowledge exchange initiatives by introducing new actors to the Diaspora further catalyzes communication and learning and gives TEs access to adaptive co-management within the decentralized network.

Another reason why recombining TEs' operations within the limited environment of a centralized network may not be as efficient for the purposes of transnational organizations is the difficulty of locating and relating to prospective partners across multiple geographic boundaries. The decentralized social networks, on the other hand, seem capable of sufficiently catering to TEs' need to relate to wide-ranging industry and geographical contexts.

> *We participate in the British Bulgarian Chamber of Commerce [...] The purpose of that organization is to facilitate networking and information exchange. It is actually very good society that helps through organizing seminars, meetings,*

> *inviting speakers, and so on. Our involvement helps the company's development as we manage to capitalize on our background and familiarity with the Bulgarian business environment. We have had clients who are also members of the society and who wanted us to increase their marketability over there. It is a great opportunity to meet prospective clients but also to learn more about business practices.* (Entrepreneur B)

Our research suggests that decentralized network organizations can enable swift connection among actors of the same or diverse national and cultural origin and business/occupational context. The subsequent connection of assorted entrepreneurial actors allows the formation of a pool of collaborators, which facilitates the fast location of business associates. The establishment of an informal pool of potential business collaborators within the network allows the formation of a better match between business actors. In addition to being *a great opportunity to meet prospective clients*, the possibly improved match between business collaborators is a precondition for a healthier partnership, long-lasting mutual operations and an opportunity to *learn more about business practices*.

> *Communication does not always result in cooperation. Both of us should express willingness for that to happen. Moreover, even when we have the willingness, if the other party is preoccupied, then I need to either look for assistance from another partnering company or to conduct significant reallocation of the available human resources in my company in order to still satisfy the client. We can work without cooperating and we will still be able to achieve good results, but cooperating is making it a lot easier. All companies have moments when they need some rush of new ideas and more energy in order to cope with their stuffed agenda full of business cases. I have established the channel for getting that energy to flow in moments of need or just moments when that will not cost anything to our partnering companies. It is not exploitation of other companies' resources, it is mutually beneficial. Otherwise, despite being friends, other owners would not continue that practice.* (Entrepreneur J)

The exemplified association between entrepreneurs materializes in the recombination of tangible and intangible resources. The clusters of entrepreneurs allow the selection of the most relevant business actors and the subsequent exchange of competencies. In the example, the business owner discusses how the *stuffed agenda,* which would normally require substantial reallocation of *the available human resources*, could be handled through *assistance from another partnering company*. The development of communities of practice within the Diaspora facilitates fast knowledge transfers, because they seem to act as an essential enabler of collaboration processes. The established communities of practice within the transnational network serve as a mechanism that facilitates TEs in their attempts to develop or improve capabilities for achieving higher competitiveness in the host country market. These communities provide value by connecting TEs to parties that have potential strategic significance for the realization of their business goals.

Communities of practice within the Diaspora not only activate reciprocity, but also cultivate links to a wide range of producers, suppliers, business professionals and potential investors from different markets. Communities of practice serve as an apparatus that, by connecting different parties, facilitates TEs' attempts to develop or improve capabilities for the purpose of achieving greater competitiveness in the market.

> *We often discuss with the members of the British Bulgarian Chamber of Commerce. The members of the organization are extremely experienced. Many of them have already achieved significant success and want to grow even further. These are people who have shown strengths and capabilities that the market has accepted. Most of them are experts in doing business and they can help with direct advices and share stories what has happened when a company engaged a particular strategy. Moreover, they have many business contacts with people from various spheres, which can also benefit us as information does not flow directly. Discussing with members enhances referrals and linking to other parties, which creates a significant mechanism for transferring business ideas and facilitating problem solving.* (Entrepreneur L)

The above remark from Entrepreneur L signifies that the problem solving processes in which the company engages are regarded as *a significant mechanism for transferring business ideas* from multiple *experienced* parties. However, this activity is observed as a developmental process with embedded facilitation characteristics as opposed to the simple application of ready solutions. The same *mechanism* has been observed in multiple cases, and the idea of recombination, with the consequent emergence of creative business solutions, is also encountered repeatedly, as in this example:

> *We [Diaspora members] are one team and we rely on each other's unique knowledge and experience. That combination of capabilities results in some very applicable ideas that help us not only finish a project but develop as an innovative company.* (Entrepreneur C)

The socio-economic value from network interactions originates from the generation of novel *applicable ideas* whose worth surpasses the sum of the shared capabilities. As a result, the occurring recombination among network actors not only shifts capabilities, but - as shown in the following example - also results in the creation of new ones.

> *If we do not possess the right level of expertise, we go to the market to buy some. Literally, we buy knowledge and proficiency. We cannot afford to keep a person who we need only twice a year. Moreover, the people we are looking for are experts in their fields and they are expensive. Expertise has always been highly valued, so we purchase only part of the time of that specialist and build up the rest of the project based on the ideas and information we have acquired or that we possess in-house. Such free agent consultants often work for four or even five companies, advising them. It is inefficient, too expensive for a single company to afford such high ranked specialists, but we still benefit from the innovative thinking of such acknowledged experts rather than competing with them. In that way we can provide our clients with solutions for their business, solutions that would have cost them a fortune if they were to hire all the narrow experts that we communicate with.* (Entrepreneur I)

This quote provides insight about TEs' attempts to achieve competitiveness through incorporating socio-economic factors. The entrepreneur revealed how shifting capabilities leads to the creation of new ones and their subsequent application to the transnational market. By hiring experts on a case–by-case basis or for a particular time, the manager brokers multiple transfers of external capabilities. These capabilities not only assist in satisfying customers' expectations, but also play an important role in the creation of innovative business solutions and the company's competitive advantage: *Expertise has always been highly valued, so we purchase only part of the time of that specialist and build up the rest of the project based on the ideas and information we have acquired or that we possess in-house.*

In that way, some transnational entrepreneurs manage to form autonomous specialization competencies, the access to which seems blocked due to either the unique specificities and complexity of the operations, or intentional managerial efforts to prevent immediate dissemination. Moreover, the mix of external and internal capabilities for the development and the delivery of the intended business service decreases the dependence of the entity on external knowledge sources.

Once the competencies are fully embedded in the operations and competitive advantage has been achieved, they are expected to be transferred to other actors. In the above example, the consulting experts are working for several other companies; however, this does not necessarily increase convergence of business practices between competitors or decrease the specific company's innovativeness. The released competencies will most likely require redevelopment from other entrepreneurs if competitiveness is to be preserved, so that they could be put into practice in a different operational context and in a way that does not challenge the benefactor, which is exactly what the TEs have been observed to do. The majority of the exchanges, both tangible and intangible, observed in the network of Bulgarian transnational entrepreneurs occurred on a cross-sectorial exchange level, which diminish the potential opportunism and the risk of direct competition.

> *Although we are a marketing company, we still have much in common with other companies, companies from different industries. We are a relatively small company and many of the issues we have are not unique. We experience problems that probably most small companies have encountered at some point of their existence. For that reason building a close cooperation with other small businesses is extremely valuable. These are not only other marketing companies.* (Entrepreneur B)

The observed interdependence within the transnational entrepreneurial community forms a global production and development network in which different cross-sectorial parties provide knowledge input. The common ground of Diaspora organizations facilitates knowledge transfer and its consideration as a major network flagship. The dense networks act as conduits for host and home country knowledge through the strong multilateral links between the trading systems.

> *Hardly a day goes by without conducting some communicational activities with the home country. At the meeting of the chamber of commerce, there are always Bulgarian companies and I always go and communicate with them about their interests, desires, expectations. We build links that go beyond the organization's ground. We communicate with them even if they are already working with another marketing company. We invite them to talk to our previous clients to see whether they were happy with our services. This also gives them the opportunity to meet another company operating in the same or different sectors. Bulgarian companies, on the other hand, sometimes introduced us to their partnering*

> *companies. At the end, we know more about them, but they also know about us.* (Entrepreneur B)

The coordination of commercial ties within the Diaspora network appears effective. Through their deep network dependency, transnational entrepreneurs manage commercial ties easily. This, taken together with TEs' continuous border crossing activities, supplemented by the transfer of information, technology, innovative practices, resources, social links and direct business prospects, explains why transnational actors manage to cause disruption in traditional business structures, as becomes evident from the aforementioned quote and particularly the statement that "*we communicate with them even if they are already working with another marketing company."*

The key influence they exert against multinational business operations stems from their power to acquire multidimensional information that builds innovative network efficiencies. The enhanced organizational capabilities that the companies within the transnational network possess become evident from the following quote.

> *We are trying to increase and strengthen already existing links. As a marketing company, marketing ourselves is inevitable. So we participate in knowledge exchange seminars as it is a way for others to recognize us as reliable company that has strong connection with the market in which it operates. Giving some free advice, focusing company managers on potential pitfalls and unique characteristics of the market enhances our image as a company that cares about their success. When they trust us more, they want to work with us more closely. This is the beginning of the mutual business. It contributes to finding business clients but also to developing successful strategies that work, that bring more customers to our customers. Information plays a role in increasing the marketability of both sides.* (Entrepreneur B)

These organizational capabilities, which facilitate both the creation and the absorption of knowledge, appear to be dependent on the physical and social proximity of the business actors. Therefore, the data suggests that Diaspora networks are favorable environment for knowledge to flourish due to the high interrelatedness and social dependency of their members. Diaspora members gain access to organization specific resources, such as infrastructure and legitimacy, that translate into beneficial emergent company processes: informal strategy construction, incremental strategy making and social capital bridging realization. We turn to the latter in the next section.

5.6 Bridging vs. Bonding

Ostgaard and Birley (1994) argue that the personal network of an entrepreneur is the most crucial resource for a young company's survival because it gives the entrepreneur the opportunity to draw upon it in the early stages. The current research has found evidence that Diaspora networks provide transnational entrepreneurs with unique organizational infrastructure that supports, and helps shape, the way strategies develop for management, combination and utilization of resources.

TEs' embeddedness in transnational networks allows new ventures to quickly establish inter-actor ties and after that, due to the high proximity, manage them in an easy manner, without spending a lot of additional resources for maintaining them. These particular organizational advantages become rooted in businesses and are difficult for others to imitate due to their social attributes (Nelson and Winter 1982; Grant 1996a, 1996b; Spender 1996a, 1996b). The low levels of imitability make these resources an effective and long-term competitive advantage, which motivates entrepreneurs to seek external knowledge and use it for increasing their ventures' capabilities.

We have found the examined Diaspora network to be an appropriate environment for knowledge creation and dissemination to flourish due to the high interrelatedness of their members. The structure of the transnational network facilitates the emergence of informal strategy development processes through the bridging of social capital. Our data shows that bridging social capital is a source of sustainable competitive advantage for the network members as it relates back to the process of informal strategy construction.

> *By being part of the club, I am given the opportunity to mingle with other business owners, exchange ideas and build inter-organizational bridges. Similar opportunities are present in the other organizations that I participate in, but the difference is the direction of the organizations and the proximity to people. It is only in this community that we can link to competitors. It is an informal ground for collaboration, something that is hard to achieve among competitors.*
>
> *We are a team of people who are trained and have learnt from practice, we have gone over similar hurdles so everyone realizes competitors do not mean enemies. Everyone has some useful experience […] it is distributed to all members of the*

> *community. That is why I teach my employees […] and they know already. They have their eyes on not only the clients, but also on competitors as that helps for spotting areas for improvement.* (Entrepreneur G)

The prerequisite for the occurrence of effective *social capital bridging* - the availability of dissimilar actors within the network - seems to be achieved within the transnational networks studied here. This characteristic differentiates the Diaspora from other networks in which the interactivity within the organizational unit is simply focused on *bonding social capital*.

The preceding quote from G shows that Diaspora networks meet the prerequisite of providing a meeting ground of dissimilar actors that makes it possible for social capital bridging to arise. Moreover, the social pool within the Diaspora network is not a static one. The established system of knowledge interaction attracts newcomers to become part of the organization in order to derive value from the established organizational knowledge.

> *After the country's accession to the European Union, everything has changed. We have established the company exactly at that time, and this helped us to be part of the whole change. Whenever a new member joins, that also changes the business environment in the Union. It brings new competitors, new opportunities, new channels of distribution. The same happens at a smaller scale when a new member joins our community. They might be viewed as competitors by some, but the majority of us view them as a source of opportunity, an access point to new market groups, proficiencies and efficiencies. Overall, I believe that any change should be grasped rather than resisted.* (Entrepreneur K)

The high network actor interrelatedness demands that knowledge on the organizational level depends on the individuals' knowledge capacities. Due to this cross-dependence, the overall effectiveness of the knowledge network is believed to depend on the perceived effectiveness of individuals. Therefore, individuals' knowledge growth and the constant inflow of new members is an asset rather than a liability for Diasporas. This is because unique knowledge is generated predominantly in group settings through the creation of synergy of individuals' common understanding of a particular field. The social interaction and the development of personal relations among members stimulate the shift of knowledge from the individuals to the group and make it almost impossible to only acquire the knowledge of others without sharing one's own.

The ability of linking knowledge capital from diverse sources within the network is what forms the concept of bridging. Research has suggested that companies new to the market or the environment are in an unfavorable position that limits their capacity to bridge social capital (Zaheer, 1995). However, the data implies that this constitutes a significant difference between TEs and other local entrepreneurial actors. When asked whether native or other transnational entrepreneurial companies constitute stronger direct competitors for their businesses and whose survival prospects they think are higher – these of native entrepreneurial companies or these of TEs, the majority of the interviewed actors shared the conviction that TEs possess higher flexibility and span of communication, which helps in their businesses' development.

> *We all act very proactively, explore different opportunities, improve the efficiency of the already existing business models. It all happens naturally, I think that our familiarity with several countries gives us some advantage.* (Entrepreneur A)

The above quote implies the proactiveness that TEs possess in terms of bridging parties from networks that span multiple borders. These activities are implied to result almost automatically in exploration of opportunities.

On the other hand, the interviewed TEs attribute the opposite characteristics to the operations of local entrepreneurs. The following quote clearly shows the interviewed entrepreneur's perception of where the difference lies between these two groups of business actors.

> *Before I started, I knew that it would be hard for me as a foreigner. This did not discourage me. It motivated me to use all my resources, to try to find new ones, to be more dynamic and proactive. Things in business are not as straightforward as many local business owners think, and I believe that this is the reason some of them close down after some time. The thing that helped me survive is that I never thought I know everything and I am the best businessperson in the world. On the contrary, I knew that there is so much to learn, both for the business and for the environment in the UK. I relied heavily on the people who came to the UK earlier than me, they knew more and I wanted to learn from them.* (Entrepreneur A)

The acceptance that having the status of a foreigner might result in additional hardships for the business builds the entrepreneur's survival aspirations and the awareness that all resources need to be utilized – and new ones found – in a *more dynamic and proactive* way. This overall awareness seems to act as a motivational force that instigates locating opportunities through bridging transnational network actors.

The collected data has suggested that non-transnational entrepreneurial companies are more likely to engage in bonding social capital due to the fragmented nature of their social positioning in the business environment. Moreover, even in the case of companies that understand the importance of linking social capital, bridging is most likely to have only a partial presence in their strategic activities, compared to bonding, due to the difficulty of relating to a diverse business network system. This notion is illustrated clearly in the following quote.

> *Everyone can go under. We, foreigners, are aware that we might be excluded from certain business opportunities because of our origin. That is why we try to position ourselves better and have realistic expectations, while some native entrepreneurial companies are not even aware that they can also be excluded. They think that as the business of a company is oriented toward entry into the UK, they, as Brits, should be more competitive. Many fail because they do not expect that a client company would prefer a much smaller marketing partner solely due to its complete familiarity with the two countries. We, as a team of educated professionals that consists of Brits and Bulgarians, are better positioned as intermediaries. This gives us the advantage to attract both British companies going to Bulgaria and Bulgarian companies coming to Britain. This has helped us to survive and gain momentum in our development.* (Entrepreneur B)

The interviews with transnational entrepreneurs revealed the actors' significant divergence from the bonding orientation, exemplified in the aforementioned case. While TEs' discourse implies that their local competitors engage in strategic practices that seem to correspond to the bonding strategy, the actors of transnational networks avoided this tactic.

This observation appears to hold validity for local native competitors only, as it ceases to hold when contextualized in the case of TEs competing against members of other transnational entrepreneurial networks. This idea is exemplified by the following answer to the question whether native or other transnational entrepreneurial companies constitute stronger direct competitors for the business.

> *It is difficult to say. Native consultancies have better and stronger link to the British companies. On the other hand, the consultancies located in Bulgaria but operating here tend to have better link to Bulgarian companies. Both sides are strong in some aspects and weak in another aspect. What I believe we do better than both, however, is relating both sides so that they can work together.*
>
> *We are different, we are in the golden mean. However, that does not mean that we do not feel the need to continuously position ourselves in both markets. It just means that our location in the UK gives us the advantage to be considered a local company, but our background helps us related to the home country and [to] present ourselves as local there as well.*
>
> **Prompt:** Are there other companies in the *golden mean*?
>
> *Of course, there are other companies in that golden mean and they are certainly more of a threat than other companies are. However, most of us are quite niche players so direct confrontation, although possible, is not too frequent. Actually, it is more often that we cooperate. Given the importance of information sources, this is the only logical move. We want to secure our position, so increasing the scope and strength of existing links is a priority. In the long term, this brings positives for both sides.* (Entrepreneur C)

Based on the collected data, the perceptions of entrepreneurs regarding the bridging infrastructure's benefits revolve around the notion of achieving a symbiosis of cooperation, control, flexibility and new market information/knowledge. Overall, social bridging is considered an organizational resource that enables entrepreneurs to achieve more effective operations in the market environment.

The bridging characteristics of the Diaspora organizations facilitate building ties, which can be employed in the process of business formation and growth and product/service realization. For that reason, the importance of upholding ties within the transnational network as a support tool for the long-term business operations has been easily identified all over the sample. Thus, following the strong causal relationship between social ties and their utilization for the purpose of business development, revealed through reflection on the emerged factors *expertise* and *bridging capabilities*, Diasporas appear as networks of practice that connect entrepreneurial opportunity seekers with the subject or the object of their interest.

Juxtaposing both conflicting forces – the liabilities (of newness and foreignness) afflicting the TEs, and the role of the network in overcoming them - allows the better explication of the relationship between them and increases the understanding of transnational entrepreneurial companies' developmental route.

The comparison of these themes within the context of the collected data provides insight on how resources and capabilities emerging from the social mechanisms have strategic value for transnational companies' capability evolution. It was found that TEs possess well-structured expectations of the benefits that they want to incur from their social embeddedness. Moreover, it seems that what they expect to get, in terms of capabilities, is something that will assist them in coping with the pressing liabilities of newness and foreignness. The observed consistency is clearly due to the fact that TEs' expectations are linked to their most pressing business need: successful business integration into the host country business environment.

The new paradigm is a perfect tool that empowers entrepreneurs to surmount pressing liabilities, including managerial limitations and knowledge insufficiencies. For that reason, it is believed to influence TEs' operations. The surrounding influence has been tested in the following analysis of the acquired data. A framework has been constructed that grasps TEs' clearly defined needs for assistance in terms of knowledge and guidelines in three key areas: *market practices* due to their market disorientation, *production practices* due to their service offering or production difficulties and *management practices* due to their significant management challenges.

5.7 Types of knowledge sought after

This section presents an overview of three key areas identified by the examined entrepreneurs as important types of knowledge that they seek from Diaspora networks. These knowledge areas – *market*, *production*, and *management practices* – have also been widely recognized as the liabilities that threaten, or have at some point threatened, the sustainability and the development of their business ventures. The section contextualizes and discusses each one of these areas.

5.7.1 Market practices knowledge and guidelines seeking

As just mentioned, the interviewed social actors have openly discussed their needs for support in the form of knowledge and recommendations related to *market, production* and *management practices* – areas where underdeveloped capabilities are regarded as significant liabilities that impede, or have been impeding in the past, the progress of the business. Due to their emergent importance perceived from TEs' discourse, each of these key areas will be discussed below.

The transnational entrepreneurs' newness to the host country market and its idiosyncrasies is regarded by the actors as a substantial shortcoming that decreases their competitiveness and precludes them from swiftly gaining loyal customers, especially from the ethnic majority in the host country. Furthermore, TEs suggested that the customer base remains highly unstable and difficult to anticipate until the companies' image of viable service or product providers has been established.

> *From my experience, I think that British law companies fail more often due to their disintegration, internal conflicts and inability to relate to the customers and the market's needs. However, those that manage to overcome such factors have higher growth prospects than firms of foreigners because they are likely to know the market better than us. However, knowing the market is not the same as knowing the customers. Foreign business owners are especially good at seeing what clients need and making them comfortable. I have always given the example of Turkish restaurants here compared to the British ones. It is not only that the food is better but the environment as well, the way they welcome you and the way they send you home. It is representative of other foreign businesses and the way business owners cater to their clients' needs. They establish relationships; we do too.*
>
> *Some British companies and owners see that, and they use it for their advantage. They are the ones who manage to grow even bigger than us. We come from another country where services are not very respected by ordinary customers, I do not include companies here. People in Bulgaria want to touch and see what you want to sell them; they are less impressed by intangible goods. For that reason, business owners always aim to offer a bonus, which is their good attitude and hospitality. This creates loyal customers […] Other than that many other*

> *companies can offer them a similar product. If the client is not loyal then they might come to us today, but might go to another company tomorrow. This is not specific to any industry, it occurs everywhere.* (Entrepreneur E)

The customer orientation is pervasive throughout the data. Meeting customers' needs and establishing a reliable customer base are priorities for TEs, as they are regarded as factors that can offset market disorientation. Transnational entrepreneurs' aspiration for overcoming the aforementioned liability lies within the trajectory of building business legitimacy that in the current case facilitates the establishment of product or service delivery efficiencies to customers.

> *I believe that we have a better approach towards customers. Our customers are more loyal. We attract them to us as opposed to chasing them with offers. My observation is that many of our competitors chase potential clients, and it is a very normal reaction to run away when chased. We have different approaches. We want to show the potential customers that they need us more than we need them. Of course, we need them, but we do not want to look desperate to get them. In addition, to relate back to your question about information technology's influence on our business communication practices, as I said, we use it. Nowadays, most companies use it. However, what differentiates us from the rest is that they use it mainly for promotion or hunting for customers. We, instead, use it to improve our communication with potential as well as existing clients. We apply information technology in such a way that it can support our routines.*
>
> *We use ourselves as marketing tools, and the technology helps us relate better to customers, get closer to them. It is not about investing money in advertising […] It is about having the right approach and attitude towards people. We place ourselves in the shoes of our potential clients to see what they would prefer, what will capture their attention. We have found that it is not some shiny billboards or slick advertising messages that attract high-caliber customers. We give talks to people at business events, we publish technical approaches in business forums so that people can find us on the internet. Showing the potential customers that we do our job well is the most important marketing tool that makes service purchasing a repetitive occurrence.* (Entrepreneur D)

The subjects of the study show a strong motivation to get to know the market peculiarities in their local geographical context. Knowing what the customers want and what the market accepts shapes TEs' level of competitiveness within the global market landscape. From the stories of the entrepreneurs it seems that they understand social ties to be pervasive in the nature of today's service and product market. The following excerpt clearly indicates that social connections have their place in the dynamic, quickly changing and highly competitive industries in which up-to-date awareness about available opportunities is crucial for survival.

> *It is always moving, always changing. It does not matter whether the government will do or will not do something, the business environment is never the same as yesterday's. There are normal evolutionary forces that have changed what customers want and what companies offer. As long as that pattern is occurring the business environment will continue to change. It is the same in the whole world. People now have realized that the business in one country is not that different from the business in another country. Especially in Europe, the business is the same. What differs is the efforts of the business owners to be ahead of their competitors in order to meet the quickly changing needs of the markets. Due to this constant competition between owners, we have enough work to assist them to reach their full potential and aspirations, but also we have enough to learn. It is a never-ending cycle, and in order to be prepared we need to know what is relevant to the specific environment; this helps in determining how to act. Our connections and daily communication help in knowing new tendencies, changes in the business environment, changes in the legal environment that subsequently influence the business. In many cases, reflecting on personal acquaintances leads to gaining competences and achieving higher local relevance.* (Entrepreneur I)

5.7.2 Production practices knowledge and guidelines seeking

The second major area of interest for TEs is in *production practices* knowledge and guidelines seeking, motivated by difficulties or uncertainties related to the ways in which products and services are produced and offered at the beginning of the ventures' creation, as well as desires for their optimization once the start period has ended and business routines have been established.

TEs acknowledge their newness in this area through their determination for building capacities that could facilitate the better direction of the product and service production processes. This trend has been observed equally strongly in actors with prior entrepreneurial experience and those who have started their first venture. The analysis of the data shows that the new geographical context creates uncertainty in the validity and the practicality of one's prior experience. Therefore, reassurance through coordination with other experienced parties is observable within the social network.

> *I most often discuss specific issues with people here just because of the proximity and the easy access to such groups. For example, I discuss relatively often with some people I know through my involvement with the Bulgarian community here. They are closer to the market here, so it is easier to talk to them rather than first explaining the characteristics of the market to somebody else. This gives new perspectives, gives unbiased opinion. That word of mouth communication expands my knowledge about what clients want and how can I serve their needs better, because customers are different in this country.* (Entrepreneur A)

The observable verification through coordination *about what clients want and how can I serve their needs* is an economically sound initiative, as costs related to time and financing might increase upon the incorporation of unverified processes and practices. This is especially true if innovative routes to providing products or services highly valued by customers are involved. In this instance, the potential inability to critically determine and assess the feasibility and applicability of one's preceding business involvement may result in business decisions that are inappropriate to the current environment.

Managers' stories about failed start-up competitors demonstrate that business actors who are not embedded in a social structure similar to a community of practice often suffer from internal conflicts. These conflicts originate from the pressures to develop an effective and efficient service or product production cycle. The inability to quickly overcome the liabilities of newness often results in depletion of start-up capital and the end of operations. This occurs due to the company's inability to compete on the basis of offering cheaper products and services, faster delivery, and higher reliability while conducting an accurate market analysis.

Excerpts from these stories will be provided below, but first it is important to differentiate between local and transnational companies' failure based on the information provided by the interviewed TEs.

The first comparison of survival prospects was made between native entrepreneurs and their transnational colleagues. TEs have been asked whose survival prospects are higher. In the course of the conducted analysis, this question has been reinforced by a question about the observed failure rates of local entrepreneurs operating in the same industry.

> *Well, if we talk about starting companies it is probably easier for native entrepreneurs to establish a company. This is because they have many funding opportunities, they can get grants and very cheap loans from the government, and it is not exactly like that for us. However, many of them later fail. Therefore, in the long term not many of them survive … They often lack the determination or just the creativity to outperform the small companies of the foreigners. For example, before I started, I knew that it would be hard for me as a foreigner. This did not discourage me. It motivated me to use all my resources, to try to find new ones, to be more dynamic and proactive. Things in business are not as straightforward as many local business owners think and I believe that this is the reason some of them close down after some time. [...] However, they are not to be blamed. We come from a place where we are aware that the road to success is bumpy so we have backup ideas, we are more stubborn and continue no matter what. Here, it is just the environment that is simpler, easier, which is good, you do not need all these back up ideas to survive, but we can now use it to be more competitive rather than just to exist.* (Entrepreneur A)

TE's argument is built upon the basis of a comparison between entrepreneurial actors, but is constructed on the presumption that macro environmental and institutional discrepancies between home countries influence the set of capabilities rooted in business owners. The *bumpy road* in the home country, associated with the weak institutional environment that hinders, rather than stimulates, business activities, seems a factor that has cultivated some conditions for higher competitiveness when the entrepreneurs have started operations in the host country.

An important causal relationship evident from the above story is *use all my resources, to try to find new ones, to be more dynamic and proactive.* Scrutinizing this relationship by positioning it within the context of the revealed social orientation and dependency directs the researcher to explore the transnational social networks' relatedness to the causality. The resulting focus is placed on the use of social resources as an active input for service/product *production practices* optimization.

In order to achieve greater validity, the causal relationship has been then tested on the cases when competitors are other transnational ventures. Moreover, narratives on failed TEs have been specifically desired for the purpose of distinguishing successful from unsuccessful ventures and looking at the potential discrepancies that explain this occurrence.

> *I have not heard about the recent failure of a similar-sized company in my sector, but probably there has been. If a consulting company fails and I have not heard about that, then most probably the reason for its failure is poor external communication. I have heard about many smaller companies that fail soon after their emergence. It is like that in this industry, every university graduate claims to be good at consulting, and they quickly open companies but they quickly close them down as well. I know that many of them have potential for consulting and might go far in their career, but it is not enough to be good in consulting only. A person cannot own a company if he has one skill only. That is what differentiates business owners from good professionals working for others.* (Entrepreneur C)

One element that can be extracted from the above passage is *poor external communication* as a reason for failure. This factor is derived from the entrepreneur's perception rather than close observation on a company's failure and therefore requires additional testing through structural analysis. The supplementary analysis is achieved by comparing and contrasting the stated reason for failure with other entrepreneurs' stories. This method provides a confirmation of the practicality of the initially recognized element. In addition, supplementary contextualization is highly desired, as the current entrepreneur indicates a potential reason for failure, the poor external communication, but does not pinpoint to whom that communication should have taken place. By not specifying this information, we are left with two likely content streams and accompanying destinations for such communication, the first being building clients' awareness of the company's existence and operations and the second, building similar awareness within the sector of operation, also known as the community of practice. In both cases we are dealing with marketing, since the hypothetical statement that *if … I have not heard about that, then most probably, the reason for its failure is poor external communication* implies a causal relationship between Entrepreneur C's ignorance of failure and the perceived marketing dysfunction of the failed companies.

Below is another excerpt that shows the reoccurrence of the idea that *external communication* is a significant survival factor, which confirms the above supposition and further contextualizes it.

> *It is not a secret that most companies fail within the first months of their establishment. Many business owners are inexperienced, they are scared that others might envy them and steal their ideas, which would result in a failure. The*

truth, however, is that this is not the right time to hide or to have any secrets. I believe that this attitude significantly increased my survival chances.

I did things differently from many others. I have been very open about what I want to achieve and what the business' strengths will be, what we can do better than every other person. I communicated my ideas to everyone and I have never worried that my big mouth could inhibit the business survival or growth. Since the beginning of my entrepreneurial career, I was convinced that ideas need to be shared in order to be realized. Communication with others builds up these ideas and their realization becomes easier. Only by being open about my desires did my friends know what I really want from them and how they could contribute. If you are not clear with people, you will never get supporters. Moreover, by sharing with your social environment, your friends will understand that contribution to a company is not necessarily only financial. People are more reluctant to help with money, even friends, but they are often ready to help with their ideas, efforts and time. For me, these assets are more valuable than money. (Entrepreneur H)

The second story contextualizes the phenomenon derived from Entrepreneur C's statement by exemplifying information sharing to social communities of practice as a tool for increasing chances of survival in the host country. The two excepts are like jigsaw pieces fitting together to clarify that *external communication* directed towards one's *social environment* can help the realization of ideas and show the stakeholders *what we can do better than every other person.*

In that way the social network is viewed as source of knowhow (*ideas)* and resources (*efforts, time, financial* contributions) that help optimizing service/product production, offering and delivery to the host market environment. The interviewed TEs' perception of such a relationship also makes it clear why they imply that not being embedded in a social structure similar to a community of practice is likely to result in market failure, primarily due to asymmetric information that increases transactions costs. The reassurance and verification of market practices that occurs through coordination with other parties in the community of practice, observable within the social network, is likely to reduce the transaction costs by improving information asymmetry.

These who have successful businesses all know about the importance of information; those who do not know have probably already failed. Everyone tries to get some more information, and of course if everyone knows the same piece of information it is not valuable anymore, it becomes obsolete. I know some of the

> *people I know try to get price information faster than me. They want to take some of my market. In addition, information that is more general is also valuable. I was lucky to hear from that person about the location tracking of my online customers and later opened shops in these regions, but if this information came to my competitors first, I would probably close down in a few years. They know that method already, but given that I did it first, they cannot take all the advantages anymore.* (Entrepreneur A)

The above excerpt provides an example of how the *social environment* can decrease transaction costs. However, in order to strengthen this result, a propositional logic test has been conducted. This test, also known as sentential logic, includes the processing (e.g. joining and modification) of statements for exploring the logical relationships within a phenomenon. In order to carry out the test and for the purpose of providing further support or rejection of the statement that social embeddedness leads to resource assistance for production and offering practices optimization, TEs have been asked who their major competitors for information are. For the sake of simplicity, the conducted propositional logic test views the world as a two-dimensional environment in which, if lack of social embeddedness leads to failure, we would like to know how its existence in the case of TEs' competitors would affect the perceived relative levels of competitiveness of various transnational actors.

> *Who are my major information competitors? […] These are other people like me, coming from abroad, my direct competitors – many Polish food retailers, some restaurants nearby and some who do the same with Bulgarian food. If they did not operate in the same sector, I would share my methods with them […] as I have been sharing with others who I do not recognize as threat. However, it is all different when you know that somebody else's success is your own failure.* (Entrepreneur A)

The notion that other transnational entrepreneurs are often major information competitors is persistent throughout the compiled data. It has been observed that the interviewed TEs consider other TEs stronger players due to the similar network orientation, determination for success and extensive groups of contacts.

> *Strong information competitors are all people who are operating in my professional environment and want to take my clients, but especially individuals who have similar levels of social group support.*

Prompt: How about the ones who have institutional support?

The ones who have institutional support are most often the British companies. However, when it comes to information competition, institutional support cannot do much. It produces official information, which is available for everyone operating in the environment, and it quickly becomes shared. Moreover, hardly anything is dependent solely on the national level, but on the European level, so theoretically what is available to one government is available to the other governments in the EU, so a government cannot easily favor a particular business group. In that way the information coming from institutional sources is important for the operations of a company, but can seldom be regarded as something that gives anyone an edge. Everyone in the industry is familiar with outsourcing regulations. Even if they were to change every month, which they do not, it is impossible to believe that competitors would be irrational and not follow official channels. (Entrepreneur F)

The propositional logic test shows that social embeddedness, when present in other entrepreneurs' strategies, results in the emergence of stronger competitors. This finding confirms the assumption that actors who are not embedded in a social structure similar to a community of practice may lack a safeguard against failure.

This finding also implies higher replicability of the researched phenomenon, since when asked who their major information competitors are, the question has not been developed in a way that would filter the competitors on some nationality characteristics. The majority of the answers, however, as shown in the above excerpts, implied that the same strategy is reoccurring in other transnational communities, revolving around common ethnic belongingness.

5.7.3 Management practices knowledge and guidelines seeking

The third major area of interest for TEs in transnational networks has been identified to be the search for knowledge and recommendations regarding *management practices*. Again, it is not surprising that ignorance in this area is regarded as significant liability that impedes, or has at some point impeded, the development of the observed business ventures. The issue is attracting the attention of TEs, due to their genuine interest in extracting patterns of successful management practices that fit the multifaceted nature of the business space in which they seek advancement.

When asked about the organization in which they participate and the purposes for this involvement, the majority of entrepreneurs revealed the learning motifs that they try to realize with the help of various actors. In their stories most of them referred noticeably to the help of organizations, some of which are not directly involved in the particular industry (this, however, does not seem to reduce the value of the expected benefit).

The difference between the expectations regarding industry-related and industry-unrelated companies and organizations is best outlined in the following excerpt, which discusses a transnational entrepreneur's involvement with three organizations, two of them industry-related and the third one, not industry specific, incorporating social and business purposes.

> *The Bulgarian wine club has history of operations in different foreign markets - Germany, Poland, the US, and others - and they have a lot of experience of doing business abroad. We are not really members of this club because it is a club for wine manufacturers and they try to overcome middlemen like us, so they are our competitors, but we still have good relations with some of the members, so we learn from them about doing business.*
>
> *The Bulgarian sommeliers' and wine connoisseurs' association is more open and consists of members with different business goals. There are owners of wineries, importers, retailers […] overall people who are related to wine business in different ways, so you probably understand the importance of being close to that group of people. The association helps with a lot of information. They more or less teach us how to overcome issues related to bureaucracy when producing or exporting/importing, but also how to take advantage of foreign market opportunities and how to promote Bulgarian wine and our companies' services. The whole purpose of the organization is to improve the image of the Bulgarian wine through creating wine culture and a clear understanding of the business and then deliver that to its members, who are the true promoters of the product.*
>
> *Lastly, the Chamber of Commerce. Its functions are more distant from the nature of our business but are very good for strictly management issues. Similar to the wine association, it also has supportive functions and contributes to the improvement of our qualifications.* (Entrepreneur H)

By tracing Entrepreneur H's relatedness to the above organizations it becomes evident that the purpose for building contacts with these parties is predominantly to capitalize on their historical account of operations in foreign markets, which forms their rich professional knowhow.

The unifying factors that motivate the actor's affiliation with these associations - the aspiration to wider adoption of the product and improvement of its image - lead to exchanges of managerial competencies for the purposes of *overcoming issues related to bureaucracy when producing or exporting/importing*, *taking advantage of the foreign markets opportunities* and learning/synchronizing tactics for *how to promote the Bulgarian wine and our companies'* services.

All of these competencies highlight the already mentioned inclination of TEs towards knowledge and recommendation seeking in the context of wider *management practices*. TEs' orientation toward industry-relevant organizations is a logical move that may allow them to access an industry-specific knowledge bank. However, the data implies that industry-related and unrelated organizations are at par when it comes to TEs' projections for gaining management capabilities from either type.

Therefore, extracting patterns of operation in a foreign environment for the purpose of enriching management skills is not strictly dependent on the field of industry but on the social connectivity to the parties of interest. The social connectivity in the industry related groups, whose members share product realization aspirations, is viewed as a source for similar benefits, resulting from the connectivity within non-industry groups whose members share values and interests that cannot be immediately related to profit. The resemblance is clearly shown in the last sentence of the excerpt, after the entrepreneur has thoroughly considered the benefits stemming from the organizations he is involved in, to conclude that: *Similar to the wine association, it* (the broader social group) *also has supportive functions and contributes to the improvement of our qualifications.* As implied by the above entrepreneur, even companies that are *more distant from the nature of our business … are very good for strictly management issues.*

The idiosyncrasies of the foreign market and the TEs' novelty to the host environment make it impossible for them to ignore these significant management challenges. The interviewed actors seem to have noticed a relationship between neglecting the foreign market's idiosyncrasies and the obstruction of business development.

TEs indicate their awareness that strong initial preparation, a major characteristic of management capabilities, is crucial for the success of their ventures.

> *Many companies experience difficulties at the beginning, but I think that the only reason is that they have not been ready to open the business. Establishing a company is like a marathon and the finish line should be the time when the company opens and starts operating. If you want to participate in a marathon, you will not wait until the last moment and start preparing immediately before the race. It takes a lot of hard work, planning, consideration and talking to the right people behind the scenes. Establishing a company is harder than running a company; that is why most of our clients require such help. I have done my homework so I did not experience significant problems of this sort.* (Entrepreneur E)

The above data extract not only shows TEs' awareness of the importance of business preparation, but also the process of provisioning with the required capabilities for developing a business. The data indicate a strong link between the management capabilities and efforts necessary to develop a business (*takes a lot of hard work, planning, consideration*) and *talking to the right people behind the scenes.* The link between gaining the capabilities and applying them stems from *talking to the right people*, which appears to be an important step *for preparing before the race.* The transition is a verification stage that allows insight extraction from both industry-defined and undefined business actors. Passing through this stage is the prerequisite for success that Entrepreneur E regards as doing necessary "homework" or preparing for a "marathon".

Another way to prepare for the "marathon" has been described by Entrepreneur I.

> *I merged with two other independent consultants, the first one a specialist in financial management and company management, and the second one has expertise similar to mine. We formed the company and began offering consultations on business development and research on business financing, the development of business projects and management of business projects. At a later stage, we added other functions such as analysis of European directives and regulations about business project proposals and fund management and company growth advice. Another branch we created concentrates on the organization of seminars, conferences and courses for company managers.* (Entrepreneur I)

This transnational entrepreneur preferred to merge in an attempt to establish a better grasp on additional management capabilities. As the company is offering management practices in different forms, access to a greater bundle of capabilities is believed to be a prerequisite for its increased competitiveness in the market. However, this particular move requires virtually irreversible ownership structure changes and sacrifices freedom for security. This could be the reason why it is not widely applied in the examined sample. In fact, this entrepreneur is the only one to have implemented a merger. The majority of the interviewed TEs have chosen an alternative way to satisfy their needs for security, preferring proximity to managerial skills to ingesting them.

> *We are trying to build links to information sources. The previous experience of our employees is very important for us. Their past signifies the contacts that they most probably have, and that creates a door, which they can use in their work in our company.*
>
> *We also cooperate with some very strong companies that are experts in their field. It is wrong to think that one company is strong in only one thing. If the company is successful, it shows that there is a lot to be learnt from it. For a company to be competitive, it definitely has a whole array of capabilities in management, networking, cooperation, trade; this is not to be ignored. Moreover, some of our previous clients are also not to be underestimated in their capabilities. We often communicate with them in order to remain updated about all the changes in their industry. This serves us when we have another client with orientation toward the same industry.*
>
> **Prompt:** How do you manage to employ these already existing links to information sources?
>
> *The links to people who have experienced positive development of their companies due to our services will always be viable. We have not detached from them after the project has been completed but rather continue observing them over time. This shows us the lifespan of the strategies that have been implemented after our suggestions and their consequent market specific productivity life.* (Entrepreneur I)

The concise extract from this entrepreneur's interview sums up the outcomes of the investigation and to a large extent the perception of all the interviewed business actors towards social embeddedness as a route to personal managerial and company specific capabilities. The entrepreneur points to three types of linkages that lead to managerial capabilities – with employees, with clients, and with other business owners. Given that the data show that most of the TEs hire compatriots and serve businesses whose owners are embedded within the same social structures, a general understanding of synergy between these three groups within the Diaspora community emerges.

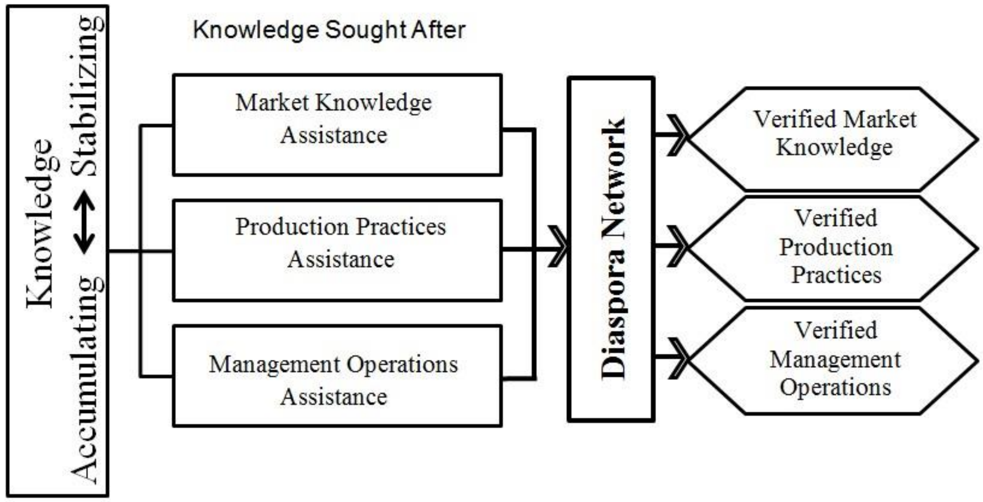
The strong bond to these parties is imperative for the verification of the aptness of any business developmental strategies. The recognition of appropriate, market targeted management practices is especially important for companies that offer consulting services. This notion has been retested by asking TEs to identify a factor whose absence would have resulted in the poorest business performance of their companies. The results confirm the emphasis on knowledge extraction as a prerequisite for *business enhancement and growth*.

> *If we did not know how to plant our roots deep inside the business environment and extract all the nutrients necessary for business enhancement and growth, that would have resulted in the poorest business performance.* (Entrepreneur I)

5.8 Incremental Integration Mechanism

The current study of the Bulgarian Diaspora network and the observation of the entrepreneurial actors suggest that TE network members acknowledge the importance of social interactivity as a route to strategy construction. When actors operate collectively in a Diaspora organization, they identify each other's characteristics and develop a specific expertise with regard to beneficial practices for maneuvering in the social and business strata. It appears that the strategic interactivity within Diasporas facilitates an incremental exchange of business influences, which build up new, or alter previous, adaptation and intervention strategies. The above section has presented how interactivity within the Diaspora results in the verification of TEs' strategic intent.

Figure 5.2: Verification Process for Overcoming Liabilities



* Stabilizing embodies minor incremental improvements to the entrepreneurial entity's existing capabilities

Figure 5.1 illustrates the observed need for verification of the three key areas: *market practices*, *production practices* and *management practices*, discussed in the above section. These three key areas are perceived by entrepreneurs as threats that originate from the newness and the foreignness of their ventures, as well as their own newness and foreignness as entrepreneurs. Having the status of a foreigner, being new to production practices and not having experience in management - at least not in the same context - could be detrimental when combined with questionable venture legitimacy. Transnational entrepreneurs' aspiration for overcoming the aforementioned liabilities lies within the trajectory of verifying the relevance and soundness of their business practices in the new host country environment.

Nevertheless, the verification scheme has been revealed to be only one element of the observed system for diminishing liabilities of newness and foreignness. Below, we elucidate how the verification takes place, as well as the role it plays within the broader mechanism that allows synchronizing knowledge portfolio development and its alignment with the host-country environment.

5.8.1 Knowledge Acquisition & Enrichment - "Preparation"

Obtaining resources is perhaps the most essential part of the preparation of young transnational companies due to the resource disadvantages stemming from their newness and foreign status. As a result, the first knowledge cycle direction that has been observed follows the pattern *acquiring* and *enriching* knowledge. The *acquiring* process is part of TEs' attempts to prepare a portfolio of resources. This process refers to not only obtaining a resource, but also realizing that a resource could be extracted from their own transnational experiences and familiarity with the dual social field.

> *In the market economy, everyone can trade in order to acquire what he or she does not have. Wise people even get from others what they cannot do perfectly themselves. Advice about customer relations, marketing, know-how, efficiency, everything can be found. Not knowing about something is no longer an excuse. There are always ways to know or to get knowledge. I think this is important and not always too costly. The only difference between costly and cheap information is the quality, but there is some value in both kinds.*
>
> *What is more, the collaboration within the Diaspora and the interaction with other members help me not only to acquire high quality new knowledge at a fraction of its value, but also to achieve better use of the available knowledge. New use of already existing information is as valuable as new information, with the only difference that I am less dependent on others, as I carry it with me when crossing borders. Nevertheless, every person reaches the point where ideas are depleted. For that reason, it is important to link with others who have a different point of view and might enrich the idea generation process by either spotting a new application of my knowledge or helping me to build on what I have picked up.* (Entrepreneur D)

The process of *enrichment* plays a significant role in the capability development stage. It is represented by the extension of TEs' current capabilities, which occurs through the clash of cultures and perspectives within the social facilitator – the Diaspora. The effect of social proximity is twofold: it promotes the upgrading of capabilities and also assists in the extraction of knowledge resources from personal experience. This is because it is only when an entrepreneur is exposed to, and initiated into, the foreign environment that he can find valuable resources in what has previously been taken for granted. The awareness of the peculiarities in the home environment can serve as a rare advantage in another environment. This is how resources/capabilities of potential value are discovered.

Both preparation processes (acquiring and enriching) are gradual in nature and correspondingly motivated by the continuous association among network actors. The gradual resource advancement is a characteristic of TEs' operations in the host country and a process that clearly illustrates the actors' incremental development strategies. TEs' behavior exhibits a form of incrementalism, and their discourse reveals that they believe local entrepreneurs' failure to engage more heavily in incremental social bridging prevents them from gaining access to a wide range of available tangible and intangible resources, which in turn partially limits their flexibility, a feature considered a core advantage for SMEs.

> *Before I started I knew that it would be hard for me as a foreigner. This did not discourage me. It motivated me to use all my resources, to try to find new ones, to be more dynamic and proactive. Things in business are not as straightforward as many local business owners think and I believe that this is the reason some of them close down after some time. The thing that helped me survive is that I never thought I know everything and I am the best businessperson in the world. On the contrary, I knew that there is so much to learn, both for the business and for the environment in the UK. I relied heavily on the people who came to the UK earlier than me, they knew more and I wanted to learn from them.* (Entrepreneur A)

When an entrepreneur fails to adapt in response to changes in the environment, but instead simply repeats the same procedures in the hope for "better luck next time" and the belief that at some point success will be achieved, this prevents a firm from establishing practices that respond to the idiosyncrasies of the business environment. Sustaining the business might necessitate drastic changes. The radicalism that changing multiple aspects of operations simultaneously entails calls upon the diverse aptitudes for change that are not only company-specific but also process-specific. The adaptation of several processes, as part of the actors' overall preparation, requires more entrepreneurial and managerial efforts, which poses a great burden on companies' governance as it creates deficiency of available, and already limited, acumen. By contrast, incremental knowledge acquisition and absorption allows for the better reflection of the environment by incorporating the perceptions of numerous interconnected actors. Combining incremental knowledge acquisition with strong Diaspora network integration allows for the gradual cyclical adaptation of business processes, which is less demanding from a managerial perspective. The TEs interviewed believe that the interconnectedness of their views results in a more accurate common understanding of the foreign business environment and the available opportunities. Failure to achieve social interconnectedness, on the other hand, might result in knowledge processing that is incremental but too slow or completely non-incremental. With embeddedness, iterative modifications of companies' strategies are more likely to occur due to the process of sharing information and experiences within the community.

Our data suggests that engagement in social capital spanning within a transnational network helps the embedded entrepreneur meet the need for gradual, emergent change and adaptation of the company's culture, code of conduct, and policies to the host-country environment. Transnational entrepreneurs seem to understand the benefits of the gradual cyclical adaptation of business processes that emerges from Diaspora embeddedness. On the other hand, the lack of Diaspora network integration might threaten the degree and course of adaptation in strategic processes, thereby strengthening the negative effect of the liabilities of newness and foreignness on companies.

5.8.2 Knowledge Accumulation & Stabilization - "Paradigm Shift"

Attempts at developing knowledge and aligning it with the host-country environment involve both the internal *accumulation* of that knowledge and its subsequent incremental improvement in association with more experienced TEs (we refer to this improvement as *stabilization*). The accumulation of knowledge facilitates structuring processes (such as gaining perspective, organizational design/model development, etc.), and after being stabilized through the Diaspora environment, this knowledge contributes to entrepreneurs' paradigm shift regarding the host-country peculiarities.

Diaspora embeddedness allows TEs to acquire and integrate new tools for orientation in the host-country environment (gaining perspective), an example of which is provided below:

> *What I have in common with other entrepreneurs in the Diaspora is the vision that cooperation is beneficial. It is not only beneficial for my own initiatives, but also for the business of other partners. I admit that it took me some time to realize and start appreciating the functionality of that idea. I tried hard to understand what is going on here and how business is conducted. Nobody tells you that sharing is actually good in the long run. Of course, you get some signs from people, but during the very first steps you are on your own and getting your orientation* [perspective] *right is crucial.* (Entrepreneur K)

The observed orientation of TE entities is highly cooperative, as it relies crucially on the integration of diverse business actors and the establishment of collaboration, characterized by actors' readiness to share knowledge and reciprocate. However, as indicated by K, this is not automatic. Adopting this cooperative approach requires the entrepreneur to first expand their horizons, moving beyond the "comfort zone" of individual values, combined with a preference for self-sufficiency, to the aforementioned knowledge accumulation and stabilization processes embedded within the Diaspora network. Doing so, entrepreneurs come to an understanding of the benefits of a cooperative approach, particularly with regard to knowledge exchange and sharing.

The knowledge accumulated often requires adaptation in order to fit the host-country institutional, business and social environment. This refinement takes place during the process of *stabilization*, triggered by the encounter between the transnational business unit and the communities of practice within the Diaspora network. The validity of this observation holds even when applied to the above example, which relates accumulation to the shift in perception that leads to a more cooperative approach.

> *It was not always easy to sustain the idea that sharing knowledge with others is mutually beneficial. There were moments when I have asked myself whether I should concentrate on my own needs before thinking of the needs of others. Nevertheless, once you start doing business in this manner, the collaboration with others teaches you with whom it is okay to share and what can be expected in return. This allows you to expand on the idea of cooperation, while gradually reducing the accompanying risk of exploitation.* (Entrepreneur K)

Once the Diaspora practice of reciprocity is adopted, the network is recognized for its facilitative functions in the stabilization of the accumulated (i.e. internally developed) knowledge. Along with general incremental improvements to existing capabilities, stabilization encompasses the verification of prior knowledge and practices.

In the process of developing a portfolio of capabilities, transnational entrepreneurs employ knowledge, operations and practices acquired from their immersion in the home-country social and business environment as well. Nevertheless, the encounter with the Diaspora community and, later, the initial stage of preparation for entering the host-country market have introduced actors to the importance of testing the relevance of prior experiences. In the following example, the Diaspora structure is regarded as a reliable corrective of business knowledge, operations and practices.

> *It is a never-ending cycle, and in order to be prepared we need to know what is relevant to the specific environment; this helps in determining how to act. Our connections and daily communication help in knowing new tendencies, changes in the business environment, changes in the legal environment that subsequently influence the business. In many cases, reflecting on personal acquaintances [within the Diaspora] leads to gaining competences and achieving higher local relevance.* (Entrepreneur I)

As a result of this verification, embedded parties are given the chance to improve their strategic orientation. The deeper understanding of the host-country business and social environments attained in this way leads to enhanced process-oriented capabilities. Diaspora embeddedness allows TEs to learn and integrate proposed modifications to the internally-developed (*accumulated*) tacit knowledge. Our coding of interview data allows us to break this tacit knowledge down into three categories, mentioned before, of *market knowledge*, *management operations* and *production practices*. In that way, because of the interaction between developing a portfolio of knowledge and aligning it with the host-country environment (i.e. resource structuring and bundling), a TE's company is prone to develop context-specific capabilities, which guide efficient operations.

5.8.3 Knowledge Divesting & Pioneering - "Initiation"

Through the preceding two cycles, Diaspora embeddedness has been shown to allow TEs to learn and integrate proposed modifications necessary for gaining the right orientation for operating in the host-country market environment. However, the next cycle of the integration framework focuses on the knowledge creation processes that follow the incremental preparation and paradigm shift. The first process is related to the dismantling (divesting) of Diaspora-*enriched* or -*stabilized* knowledge that does not function in the predicted manner. The second process is filling the gap of the already divested knowledge by co-creational activities with other Diaspora members (pioneering).

The interaction between these processes (*divesting* and *pioneering*) and their overall relatedness to the *preparation* and the *paradigm shift* cycles of integration can be clearly illustrated by the following quote:

> *It can even be discouraging at times. You spend time to adapt, prepare, meet the right people and learn about what it is to succeed here, very often only to realize that what you have is not enough, or even worse, it cannot work here although you have been told it should. Then you either quit or shake off the fear thoughts along with the things that simply do not work.*
>
> *Prompt:* Can you provide an example?
>
> *One approach that did not quite work is the idea for having a sample portfolio of our previous work to highlight our marketing services. Small local companies who we regard as imperative clients were simply not buying it. It was not the culture this time, we already knew the environment. Then a fellow business owner [compatriot] suggested that small companies probably feared that we are using the sample portfolio for everyone so they do not get anything different from their competitors. Both of us left that practice and did something risky. My company started giving out personalized marketing advice to prospective clients and told them that no matter whether they end up using our services they can use the materials free of charge because we created them for their companies. This just works better for small companies in his and my industry sectors.*
>
> *We gained the recognition of these business owners; some expressed desire to work with us on more significant projects, or whole campaigns. This is where the business comes from. Others accepted the gift but did not want to engage in business with us. However, these people became more helpful later.* (Entrepreneur B)

The entrepreneur has realized that although going through the Diaspora-assisted *preparation* and *paradigm shift* cycles of integration, occasionally *what you have is not enough* or *it cannot work here although you have been told it should*. This shows that the Diaspora-assisted mechanism for developing a portfolio of knowledge aligned with the host-country environment does not always operate flawlessly. It appears inevitable that at some point the *preparation* and *paradigm shift* cycles will fail to deliver the anticipated level of integration value. This could be due either to the specificity of the recipient venture's business operation or to the limited scope of the knowledge available within the Diaspora. Entrepreneurs' awareness of the confines of the network-assisted host-country market alignment motivates them to engage in quicker initiation (start) of their business activities, divesting the ineffective knowledge and pioneering its functional substitute.

The knowledge acquisition orientation (observed in the *preparation* and the *paradigm shift* cycles), which results from the gradual assimilation of the perceptions of numerous interconnected actors, is eventually replaced by a knowledge creation orientation. The change leads to higher demand for managerial acumen necessary for filling the gaps from the divested knowledge. The microdynamics introduced during the initiation cycle allow for integration into the host country market by combining the previously developed capabilities for reflecting on the environment through the Diaspora lenses with a cycle of dominant knowledge creation. The cyclical combination gives rise to TEs' self-initiation in the new environment. The entrepreneur's engagement in knowledge creation is a result of his or her boost in self-confidence, which leads to direct personal involvement and experimentation in the field.

5.9 Summary

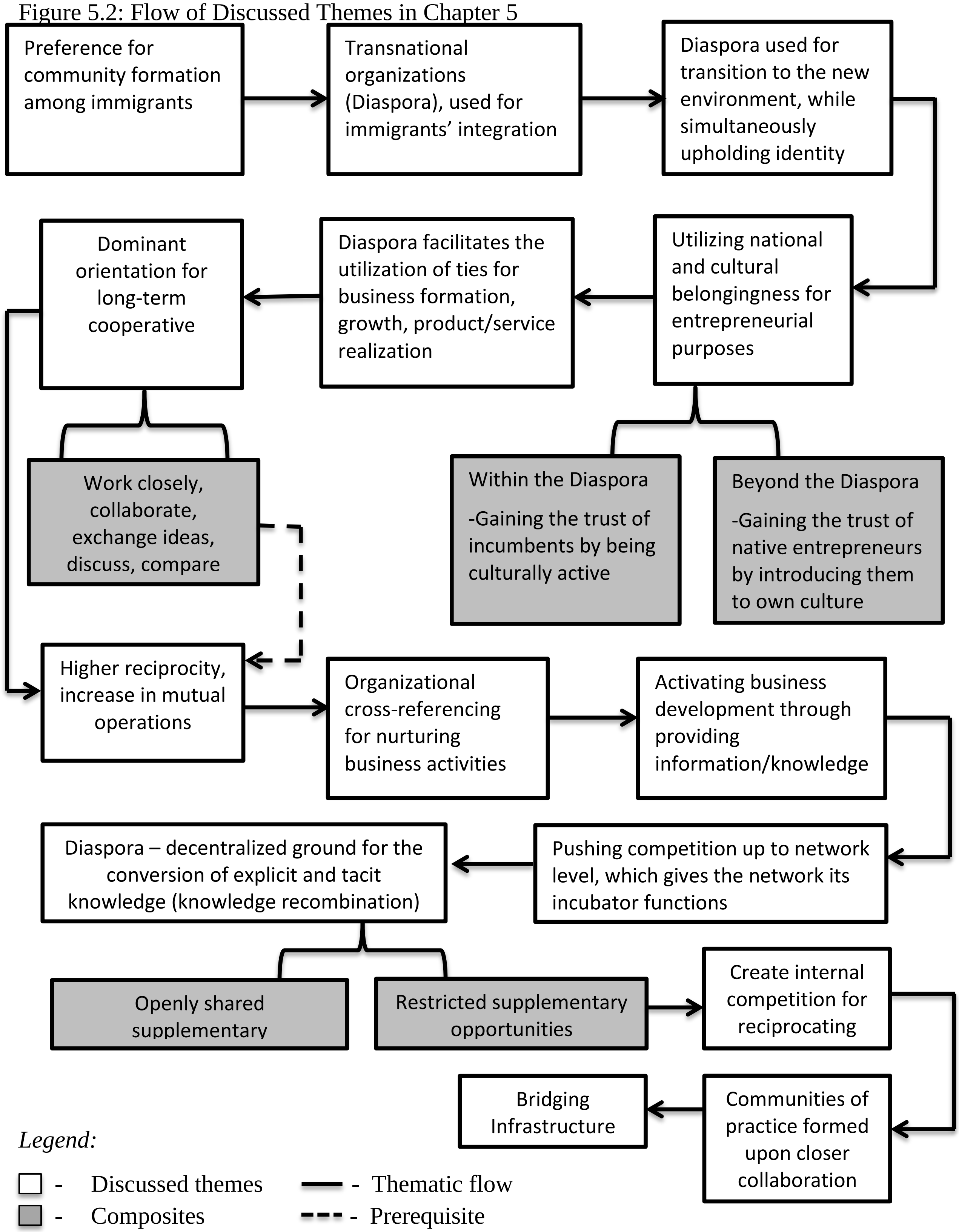
As we have seen, transnational entrepreneurs constitute active sub-communities within the ethnic and cultural organizations they belong to. These actors' efforts to access information, knowledge and support through socialization shape Diasporas as communities of practice that link entrepreneurial opportunity seekers of different stages in their development. The established system of knowledge "trading" within a Diaspora organization attracts newcomers seeking knowledge. The relatedness that results when they are admitted to the community forms a learning cycle that at least partially imitates the characteristics of business incubators. The bridging of actors with similar entrepreneurial aspirations leads TEs to perceive the Diaspora as an ecosystem that organizes and provides relevant events such as networking, training and mentoring. Mapping events and linking actors are seen as opportunities for nurturing business activities, an idea that vividly emerges from the entrepreneurs' discourse.

The anticipated fruit of the network association is the greater reciprocated benefits and the long-term collaborative actions that can hardly be accomplished through isolated activities. It is clear from the interviews that greater reciprocity, long-term survival and collaboration in the business field are central issues for transnational entrepreneurs. Transnational entrepreneurs' objective to overcome the liabilities of foreignness is accomplished by building strong Diaspora embeddedness, which promotes the market relevance of TEs' services and business strategies. Diaspora embeddedness as a sign of legitimacy is the sine qua non that equips companies with not only market efficiencies, but also the heterogeneous resources necessary for active engagement in the business environment

The Bulgarian transnational entrepreneurs operating in the UK investigated here have a strong affinity for a common strategy – network relatedness - for the purpose of compensating for undeveloped competences and unsatisfactory resource reserves. Thorough examination of the discourse of the interviewed entrepreneurs has shown Diaspora social structures to be a ground for the recombination of existing knowledge. The associated knowledge sharing and construction within the social organization assist entrepreneurs by providing them with focused market information, which is the underpinning of reducing LON and LOF. The formation of communities of practice, in which knowledge is structured and bundled much faster, becomes essential for the collaboration process. Communities of practice within the Diaspora not only activate reciprocity, but also cultivate links to a wide range of producers, suppliers, business professionals and potential investors from different markets. Communities of practice serve as an apparatus that, by connecting different parties, facilitates TEs' attempts to develop or improve capabilities for the purpose of achieving higher competitiveness in the market.

After providing an account of entrepreneurs' perspectives on community formation among immigrants within the UK, as well as discussing the characteristics of the formed communities, this chapter has presented the Diaspora network as infrastructure supporting TEs' business activities. To summarize the flow of the discussion that this chapter adopts, I provide a framework (Figure 5.2) that illustrates how the findings unfold and what the relationships they delineate are.

Figure 5.2: Flow of Discussed Themes in Chapter 5



5.10 Conclusion

All the findings presented here show how linking knowledge capital from diverse sources within a network can contribute to the emergence and the development of stable business activities. However, although highly beneficial, engaging in social capital bridging can often be difficult for companies that are new to the market or the environment. The liabilities of smallness and newness often hinder new businesses in their efforts to arrange and utilize network ties with dissimilar actors (Putnam, 2000). Failure to invest sufficient resources in bridging social capital has been found to be a problem in start-up and developing firms (Prashantham and McNaughton, 2006). The transnational entrepreneurs studied here, however, have shown a different orientation, which is believed to lead to the overall reduction of their liabilities of newness and foreignness. The Diaspora organization has integrated knowledge creation and dissemination in TEs' their core operations. This institutional context, by providing common ground for the emergence of shared vision and support initiatives, can diminish entrepreneurs' pressing liabilities after a fashion (outlined above but further explained in the following chapter).

The data shows that the knowledge network within Diasporas not only enriches members' learning and provides them with the knowhow needed to successfully acclimate and function in the foreign environment, but also provides knowledge in the fields in which other members operate. In that manner, Diasporas facilitate companies' information search efforts, bringing down the associated costs and increasing the aptness of the knowledge inflow.

The next chapter discusses the findings that emerged from the current one and situates them in the contemporary research context. In this way, it explicates how the study's emergent empirical findings link to academic debates and how they contribute to theory building.

CHAPTER SIX

Adaptation Processes and Practices

6.1 Introduction

This section discusses the themes and the findings illustrated in the previous chapter in light of the literature. The chapter's design not only assists in integrating the study to the strategy academic debate, but also helps addressing a number of under-researched themes in the literature:

1) The tendency to base firms' success and survival predominantly on internally created capabilities
2) The sequences of developing a portfolio of knowledge and aligning it with the host-country environment
3) The flow of knowledge in the transnational setting and how knowledge is structured and bundled
4) The identification of TEs' networks

Exploring these themes in the literature helps us to answer the research question: *How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness?*

By employing a diverse perspective, this section allows elucidating the contribution of the current study. The contribution of the discussed findings lies in applying an important set of ideas from the embeddedness and the resource orchestration research. These ideas have been discussed in the chapter for the purpose of expanding awareness of how participation in Diaspora networks helps transnational entrepreneurs overcome liabilities of newness and foreignness. The discussion contributes to the literature by clarifying some of the controversies on the influence of networks and their beneficial effect on companies' chances of survival. To do this, this chapter sheds more light on the observed network reliance, including the network's infrastructure and decentralization, the resource orchestration application, and the environmental integration.

6.2 Network reliance

Recent entrepreneurship research has concentrated on the value that a company's networks bring. This focus has emerged as a result of the increasing interest in corporate structures and operations and the way dominant companies with significant market capitalization internalize networks through strategic mergers and acquisitions. The process of deriving value from networks has then been more widely explored recently in the context of small entrepreneurial establishments. Recent research indicates that networks do not necessarily require internalization (Etemad, 2003). Internalization occurs not only in corporations due to their orientation to direct ownership (vertical integration), but also in smaller entrepreneurial companies that select their networks based on kinship proximity, such as family businesses.

On the other hand, the notion of network reliance as an effective strategy has been progressively gaining prominence, related to the observable shift from a traditional, more closed, to a more open form of cooperation. Contrary to previous concerns that open collaboration is risky and may become corrupt if collaborators start acting opportunistically, it actually forms a new type of control that gains stability through interdependency. "Networks have the potential of conferring both information and control benefits" (McEvily and Zaheer, 1999:1138).

That paradigm defines the new competitive orientation that some entrepreneurs adopt, and which we have referred to before, in which the locus of competition is moved from the firm-to-firm level to the network level (Etemad, 2003). As we have seen, the desired outcome of the emergent network collaboration is greater reciprocated benefits that cannot be achieved through isolated operational activities. Theoretically, this new paradigm is a perfect tool that empowers entrepreneurs to overcome pressing liabilities, including managerial limitations and knowledge insufficiencies. However, in practice, the network-centered interdependence remains vaguely understood and poorly implemented by some entrepreneurs, which causes great difficulty in building a consistent symbiotic system.

The data on transnational entrepreneurs collected for the current research suggests, however, that reliance on a network of a broad spectrum of businesses is viable when founded on cultural similarities and common belongingness. The phenomenon has been identified and explored in transnational firms operating within a Diaspora community, which defines their social belongingness and membership in a common system.

6.2.1 Network Decentralization

The Diaspora's decentralized nature facilitates the successful adaptation and operation of a wide range of transnational actors in the foreign (new host) environment. Through it, they gain access to opportunities for the successful exploitation and absorption of the knowledge of fellow TEs. Academic research has shown that decentralized systems are superior to centralized network models that stem from companies' desire to build a controllable network around their operations (Saxenian, 2002). The decentralized network is distinguished by its speed and flexibility, as well as its higher degree of specialization and capacity for recombination (Saxenian, 2002). Contrary, the process of recombining operations within centralized networks is not as efficient in a decentralized transnational environment due to the difficulty of locating and incorporating partners across multiple boundaries.

The data presented in the previous chapter indicates that decentralized network systems are able to facilitate the quick establishment of relations between parties of similar or different ethnic background and operational context. The resulting affiliation of diverse entrepreneurial actors enables the establishment of a pool of collaborators that facilitates the quick location of business associates. A good match is a prerequisite for a strong partnership and the sustainability of the mutual operations, given their high level of complexity.

The affiliation of entrepreneurial actors and the recombination of tangible and intangible resources forms clusters and deepen vision. The formation of communities of practice, in which knowledge transfers much faster, becomes essential for the collaboration process. Communities of practice within the Diaspora not only activate reciprocity, but also cultivate links to a wide range of producers, suppliers, business professionals and potential investors from different markets. Communities of practice serve as an apparatus that, by connecting different parties, facilitates TEs' attempts to develop or improve capabilities for the purpose of achieving higher competitiveness in the market. The occurring recombination among network actors does not only shift capabilities, but also results in the creation of new ones (*see examples 15.1 and 16.1 in Table 5.2*). In this way, some transnational entrepreneurs manage to form autonomous specialization competencies, the access to which seems locked due to either the unique specificities of the operations, or the intentional managerial efforts to prevent immediate dissemination. After capabilities have been fully integrated in the company's processes and competitive advantage has been activated, the competencies are likely to be transferred to other actors. However, this does not suggest that the competitive advantage will be then shared with another party. Instead, the released capabilities need to be reshaped and further developed to meet the new operational context. In that way, the provider's operations are not directly challenged. This effect is further strengthened by the observed fact that many of the interactions occur on a cross-regional or cross-sectorial level, which is another impediment to potential opportunism among collaborators.

The collaboration in the TE community serves as an international development network, which facilitates the transfer of knowledge input among varied cross-regional and cross-sectorial parties. The shared platform provided by Diaspora organizations accelerates the transfer of knowledge within the network. The networks with their rich multilateral links combine host and home country knowledge to produce effective trading systems. The coordination of commercial ties within the Diaspora network seems more effective than the currently prevailing multinational companies' tendency to establish stand-alone (i.e.

of limited network scope) cross-border activities, and this has resulted in TEs becoming vital economic actors (Ernst and Kim, 2001).

With the help of networks and the achieved high network relatedness, TEs manage commercial ties very effectively. This, taken together with the characteristics of TEs, who by definition engage in constant border crossing activities and are exposed to information, technology, innovative practices, resources, social links and direct business prospects in at least two environments, explains why TEs succeed in disrupting traditional business structures (*see example 2.1 in Table 5.2*). The main pressure that they exert on multinational businesses and their operations originates from their ability to obtain multidimensional information that leads to innovative network efficiencies. "Moreover, this information moves almost as quickly *between* these distant regions as it does *within* them because of the density of the social networks and the shared identities and trust within the community. These transnational ties have dramatically accelerated the flows of skill, know-how, and market information between the two regions" (Saxenian, 2002:9).

The collected data supports the results of a number of studies showing that the possession of social capital is directly related to the formation and acquisition of knowledge, in the cases in which companies have the organizational competences to achieve interdependence with other parties (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998; Lorenzoni and Lipparini, 1999; Yli-Renko et al., 2001). However, what the current data reveals in addition – and where the contribution lies – is the enhanced organizational capabilities that the companies within the transnational network possess.

These capabilities, which facilitate both the creation and the absorption of knowledge, appear to be dependent on the physical and social proximity of the business actors. The internal socialization not only helps in the transfer of tacit knowledge (Nonaka, 1994), but also – through participation in joint activities or simply sharing the same environment – eases the knowledge flow within Diasporas (Nonaka and Takeuchi, 1995). Therefore, the data suggests that Diaspora networks are a favorable environment for knowledge exchange and creation to flourish due to the high interrelatedness and social dependency of their members.

6.2.2 Infrastructure

According to Nonaka (1994) tacit knowledge in particular is most easily and effectively conveyed through an established social network. This is later supported by Skyrme (2000), who claims that a significant amount of knowledge exists in groups due to the relational links between members. In this study, the infrastructure of the TE network has been observed to facilitate the emergence of strategy development processes through the continuous bridging of social capital taking place within the Diaspora (*see examples 7.1 and 9.1 in Table 5.2*). The collected data indicates that bridging social capital provides a strategic advantage for the network actors.

A condition for the occurrence of *social capital bridging* is the availability of diverse actors within the network; without these, the interactivity within the organizational unit would simply follow the limited *bonding social capital* model (Putnam, 2000). The main difference between the two lies in the level of uniformity that the concepts entail. Contrary to the heterogeneous nature of bridging social capital, bonding relates to sustaining affiliations with a homogeneous group of social/business actors only. Because of its characteristics, bonding social capital is exemplary of the kinship ties within family businesses (Davidsson and Honig, 2003). On the other hand, bridging social capital limits the potential uncritical group thinking, which very often occurs in bonding relationships, and optimizes the access to non-redundant knowledge (McEvily and Zaheer, 1999).

Due to their organizational structure, which provides a meeting point of dissimilar actors, Diaspora networks make it possible for social capital bridging to arise. Furthermore, the social pool within the Diaspora network is not a static one. The established system of knowledge interaction attracts newcomers to become part of the organization in order to extract benefits from the established organizational knowledge.

However, knowledge on the organizational level depends on the individuals' knowledge capacities (Cohen and Levinthal, 1990; Fiol, 1994). The overall effectiveness of knowledge management is believed to depend on the perceived effectiveness of individuals (Sabherwal and Fernandez, 2003). Therefore, individuals' knowledge growth and the constant inflow of new members constitute an asset rather than a liability for the Diaspora. This is because novel knowledge is produced primarily in groups through the creation of synergy of individuals' common understanding of a particular field, subject or environment (Fiol, 1994). The communication within social circles and the establishment of personal associations among members instigate the transfer of knowledge from the individuals to the group and make it very difficult to only extract knowledge without providing any of one's own in return (Walsh, 1995; Weick and Roberts, 1993).

The ability to connect knowledge capital from varied sources within the network is what underlies the notion of social capital bridging. Research has suggested that ventures new to the market or the environment are in a harsh situation, as their capacity to bridge social capital is very limited. As a result, these companies are more likely to engage in bonding social capital due to the fragmented nature of their social positioning in the business environment (Prashantham, 2008). Moreover, even in the case of companies that understand the importance of linking social capital, bridging is most likely to have only a partial presence in their strategic activities, compared to bonding, due to the difficulty of relating to a diverse business network system (Davidsson and Honig, 2003).

The research on TEs presented in chapter 5 reveals a divergence from these patterns. The observed perceptions of TEs regarding the benefits of the bridging strategy focus on the idea of realizing mutually beneficial collaboration, better control, higher flexibility and richer new market information. Generally, social bridging is perceived as an organizational resource that empowers entrepreneurs to accomplish more effective business operations in the market environment. In that way, bridging social capital can alleviate a company's resource insufficiencies or process inabilities through compensating with partners' physical resources and operational knowhow (McEvily and

Zaheer, 1999). Moreover, close association with experienced parties who have built credibility and reputation on multiple grounds is likely to mitigate new actors' legitimacy deficiencies (Yli-Renko et al, 2002).

Through their participation in Diaspora communities, transnational entrepreneurs are empowered to capitalize on the available cross-national knowledge necessary for overcoming liabilities of newness and foreignness. The study illuminates the significance of the cognitive and the relational sides of social capital, which, as proposed by Uphoff (1999), explain the processes of achieving strategic development and adaptation. Young TE companies' relatedness to the structural social capital apparatus – the Diaspora – allows them to embrace a holistic strategic developmental orientation that integrates adaptation to the foreign market environment through the synchronization of exploration and exploitation processes (Tushman and O'Reilly, 1996; Knott, 2002). Embedding young TE companies in the Diaspora community allows them to embrace a cyclical strategic developmental orientation that promotes alignment to the host country's market environment through the synchronization of structuring and bundling processes.

In that sense, the findings could be regarded as an advancement on research concerned with the difficulties that internationalizing companies experience (Cuervo-Cazurra et al., 2007; Madhok and Keyhani, 2012) and as well as an addition to the discussion on the concepts of liabilities of newness and foreignness. A central inference from the study is that when transnational entrepreneurial companies experience the detrimental influences of the liabilities of newness and foreignness, the resource orchestration prospect stemming from Diasporas must be carefully considered. It is to this issue that we now turn.

6.3 Resource Orchestration

Strategy research typically relies on the resource-based view (RBV) and the knowledge-based theory of the firm when attempting to explain differences in companies' survival and market success. By employing this view, most research explicates the observed differences and the occurring metamorphoses as largely emerging from capabilities generated from within the company (Barney, 1991). In addition to basing firms' success and survival predominantly on internally created capabilities, "other economics-based perspectives explaining firm heterogeneity, implicitly suggest that firms are autonomous and atomistic in their pursuit of competitive advantage" (McEvily and Zaheer, 1999:1152). This further limits the perspective on capabilities by eliminating externally generated capabilities from the picture, whereas we find that they are of primary importance for overcoming the liabilities of newness and foreignness.

Although the current study does not aim at undermining the significance of possessing autonomous, rare, and inimitable internally generated resources, it contributes to the literature by clarifying some of the controversies about the influence of networks and their beneficial effect on companies' chances of survival. It does so by paying close attention to the Diaspora's impact on transnational entrepreneurial companies experiencing resource constraints but successfully embedding themselves in communities that facilitate the acquisition and the development of external capabilities. As a result, the study highlights the importance of the resource orchestration approach for illuminating how a firm's embeddedness stimulates enhanced competitive capabilities and increased chances of survival.

The *resource orchestration* perspective is characterized by the operationalization of resources through process-focused dynamic capabilities (Sirmon et al., 2011). The resource orchestration framework, developed by Sirmon et al. (2011), integrates the approaches of resource management and asset orchestration. On the one hand, the integrated model forms the basis for a more extensive understanding of the role of business leaders within resource-based framework. On the other hand, the theoretical model encompasses the fundamental portfolio processes of resource management, namely, *structuring* (acquiring, accumulating and divesting resources), *bundling* (stabilizing, enriching and pioneering), and *leveraging* (mobilizing, coordinating and deploying) resources.

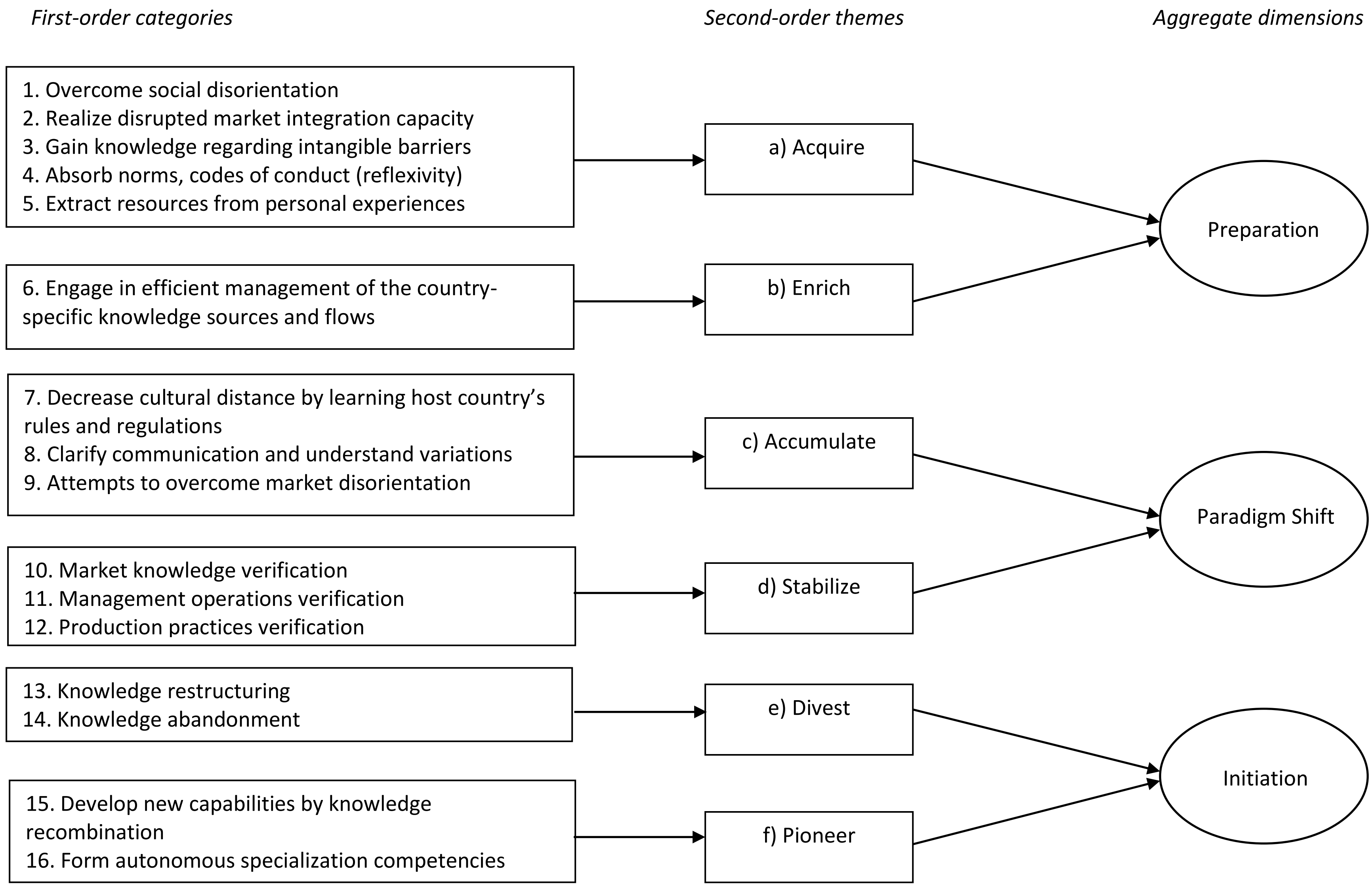
The harmony between the two chief components in the framework - resource management and asset orchestration – is preserved by their common and complementary characteristics. Both emphasize the role of organizational learning and of the manager and his/her resource-related endeavors in value creation (Sirmon et al., 2011). These combined characteristics allow for the fruitful application of resource orchestration theory in the current Diaspora learning context in which TEs operate, as we will show in the remainder of this chapter. Furthermore, the two frameworks are linked to the RBV - *resource management* has a direct link as it draws from RBV, while *asset orchestration* has an indirect link via the dynamic capabilities concept (Helfat and Peteraf, 2003). The framework can therefore be seen as an extension of the RBV.

Nevertheless, despite its high applicability to the current study, the resource orchestration's structuring-bundling-leveraging model does not emphasize the sequential element (i.e. all of these activities could conceivably occur simultaneously). This element, however, is arguably of great importance when examining the process of reducing LON and LOF. This implies the need to rearrange the processes and the sub-processes in the resource management framework on which Sirmon, Hitt, Ireland and Gilbert (2011) build their resource orchestration concept. By proving a different path with an integrated sequential element, the study not only utilizes, but also introduces an addition to the resource orchestration concept. To fulfill this aim the study has followed the research direction proposed by Sirmon et al. (2011) in their work on resource orchestration, but provided a novel way of synchronizing the structuring and bundling processes. The proposed model elucidates the sequential flow of knowledge within the Diaspora network, and shows how knowledge is developed and aligned to the host-country environment in the particular transnational network setting.

The synchronization of processes and their logical ordering represent the microfoundational prerequisite for the development of environment-specific advantages in a host-country setting. This study introduces the processes *preparation*, *paradigm shift* and *initiation*, and looks at the complex relationships among them, which helps explain not only the flow of knowledge in the transnational setting, but also how knowledge is structured and bundled.

This is in line with Sirmon et al.'s (2011:1392) statement that "while each process and its subprocesses are important, several different paths can be pursued in the resource management framework". The addition that this study provides is a different path of resource management, the one relevant for diminishing LON and LOF. Moreover, we also examine and illustrate how that influences the overall resource orchestration that takes place within the selected context. It is argued that companies determined to diminish such liabilities engage in the sequential processes *preparation*, *paradigm shift* and *initiation*, which are the observed sequences of developing a portfolio of knowledge and aligning it with the host-country environment. These processes are illustrated in Figure 6.1 below.

Figure 6.1: Data Structure - Processual path to diminishing LON & LOF



The model proposed in this study can be distinguished from prior ones by the integrated sequential element, an aspect particularly important for exploring the processes of diminishing liabilities of newness and foreignness.

6.4 Environment Integration

Attempts to reduce the risk of failure, related to both strands of liabilities (*newness* and *foreignness*), have been observed in the business operations of Bulgarian transnational entrepreneurs. Network relatedness has emerged as a common strategy for compensating immature capabilities and insufficient resource reserves. The narratives of TEs have contributed to the identification of the Diaspora structure as a unifying link that, through the constant conversion of available knowledge within the organization's social structures, assist entrepreneurs by providing them with focused market information.

Knowledge exists in organizations and their members (Becerra-Fernandez and Sabherwal, 2008), and Diasporas, as a special kind of organization, have integrated knowledge networks in their core operations. When individuals operate collectively in an organization, they unconsciously identify each other's characteristics and learn how to maneuver within the social strata to derive a specific expertise or take advantage of another member's skills, knowledge, or experience (Skyrme, 2000). As we have seen, the knowledge networks in Diasporas not only enhance members' learning and provide them with the knowhow needed to successfully adapt and operate in the foreign environment, but also provide the latest expertise in the fields in which different members maneuver.

However, Diasporas do not tolerate opportunistic behavior, and this form of risk reduction available to members makes it possible for them to create synergies by building upon existing ideas found in the network (Rauch, 2001; Rauch and Trindade, 2002; Gould, 1994). Therefore, the collective knowledge is more than simply the sum of the knowledge of all members. This embedding of knowledge characteristic within groups makes Diasporas very similar to communities of practice (Becerra-Fernandez and Sabherwal, 2008).

The current study points out that the transnational entrepreneurs in the orbit of Diaspora organizations benefit from the management learning that occurs through different business initiatives (e.g. seminars and conferences) and informal interaction. This is consistent with the belief that proactive entrepreneurs seek experienced counterparts who can provide mentoring and consultations (Erlewine and Gerl, 2004). The targeted consultations and advices are most likely to originate from actors who are considered experienced enough or experts. The association with such actors brings conformity pressure on start-up entrepreneurs to follow the business practices widely accepted within the Diaspora network (*see examples 8.1 and 8.2 in Table 5.2*), which in itself is a process of building legitimacy (Aldrich, 1999). In this way, transnational social and business networks emerge as an incubator that helps members reduce the effects of the liabilities of newness and foreignness. As a result, newly established transnational entrepreneurial companies are likely to achieve higher survival incidence and steadier development when in proximity to transnational networks.

The resultant strong network orientation accelerates the externalization of internal competencies and capabilities and their transfer to related parties. Once transferred, the knowledge and skills open opportunities for the development of new practices that often lead to direct economic gains. The associated symbiosis that occurs through the exchange of market-favored competencies is proven to easily evolve in interdependence in which two or more companies share common knowledge, technology or service pool that allows higher specialization through the eradication of redundancy (Etemad, 2003).

The collected data indicates that the participation in Diaspora organizations builds social ties, which can be employed in the process of business formation and growth and product/service realization. The particular means of assistance that have been observed include networking opportunities that reveal prospects for:

- sponsorship,
- knowledge transfer, and
- a wide range of assistance covering institutional and legal support functions in the host country and import/export procedures.

These actors' efforts to access information, knowledge and support for the purpose of developing, testing and marketing new products and services make the Diaspora a structure that links entrepreneurial opportunity seekers with other government and non-government institutions. The resultant relatedness leads to a learning cycle that resembles some of the functions of business incubators.

Expectations of assistance in the form of knowledge and verification of guidelines for practice, fall in three key areas – *market*, *management* and *production practices* – all of them crucial for the successful running of a business. These are widely recognized by the interviewees as the areas where liabilities that threaten, or have at some point threatened, the sustainability and the development of their business ventures are located. This observation is in accordance with Shepherd, Douglas, and Shanley (2000), who reflect that new market entrance is accompanied by 1) market disorientation, 2) service offering or production difficulties, 3) significant management challenges. All of these forces that have the power to hinder business activities have been illustrated in Figure 5.1 and are discussed below.

These factors are perceived by TEs as threats that originate from the newness and the foreignness of their companies, as well as their own personal newness and foreignness as managers. Having the status of a foreigner, being new to production practices and lacking experience in management (at least in the context of the new host country) could be detrimental when combined with questionable venture legitimacy.

Market practices knowledge and the search for guidelines

The first area for which entrepreneurs have sought assistance within the Diaspora community is knowledge regarding what constitutes favorable market practices within the host country environment. Searching about market practices within Diaspora networks appears to be a sound way for TEs to familiarize themselves with the market peculiarities. This is because "markets are constructed through a range of practices involving different forms of expertise" (Araujo et al., 2008:4); therefore, occupying social spaces that encompass people with diverse forms of expertise, tested through their personal experience, creates a verified understanding of what is effective and what is not.

Kjellberg and Helgesson (2006, 2007) propose that markets are formed by three interwoven types of practices: 1) *exchange practices* guiding transactions between individuals; 2) *normalizing practices* guiding the construction and the reconstruction of market behavior norms and rules; 3) *representational practices* portraying the marker configuration and the market sector's specificities. It follows that any actor's desire to operate effectively in the host country market, or in fact in any market, goes through gaining knowledge regarding the three major practices that constitute markets.

By facilitating TEs' attempts to understand these practices, the Diaspora initiates the establishment of organizational and production or service delivery efficiencies. The legitimacy that stems from engaging with the ethnic Diaspora network equips companies with not only potential for market efficiencies, but also heterogeneous resources necessary for the active engagement in the business environment (Nelson and Winter, 1982).

Production practices knowledge and guidelines seeking

The second area for which the entrepreneurs have searched for assistance within the community is in the production and delivery of products or services. TEs acknowledge their foreignness in this area through their determination to build capacities that could facilitate the better product and service production processes. This trend has been observed both in actors with prior entrepreneurial experience and those who have started their first venture. The data shows that the new geographical context creates uncertainty about the validity and the practicality of prior experience. Moreover, the risk of heavy financial and opportunity costs increases with the incorporation of unverified processes and practices new to the entrepreneur, especially if innovative routes to providing market valued products or services are involved. In that case, a failure to critically evaluate the feasibility and applicability of one's prior experience would inhibit efficiencies to the company's operations, which defers the establishment of desired economies of scale (Porter, 1980). Therefore, reassurance through coordination with other experienced parties within the social network has a clear value and is sought after by TEs.

Management practices knowledge and guidelines seeking

The last form of novelty identified as hindering the business activities of TEs is the significant management challenges that transnational entrepreneurs face in gaining managerial skills. The lack of management skills and related experience in the particular operational field has always been regarded as a key reason for small companies' failure (Shepherd et al., 2000; Fairlie and Robb, 2008). This limitation proves to be even more damaging for start-up companies that operating in contexts with high levels of uncertainty, in which maneuvering demands a strong awareness of the field. The successful organization and management of companies' daily and long-term activities demand a combination of generalized and specialized understanding; by the same token, their absence threatens the ventures' existence.

The role of the inability to meet management challenges as a factor in business failure has been thoroughly examined by researchers outside of the transnational entrepreneurial context. Prior investigation illustrates that entrepreneurs who concentrate first on gaining external management and organizational knowledge establish a shortcut to building legitimacy, which directly affects their chances of gaining resources (Delmar and Shane, 2004). Financial resources are also dependent on the managerial capacities available within the company. Venture capitalists, in particular, regard managerial capacity as a key indicator for a company's probability of success, and therefore prefer investing in those that possess high managerial experience or access to such (Shepherd et al., 2000). Moreover, it is a common opinion among managers that if one has been denied investment capital, it is due to problems with the perceived quality of the entrepreneur's management skills (Shepherd et al., 2000).

Nevertheless, the verification scheme has been revealed to be only one element of the observed system for diminishing LOF. Below, we elucidate how the verification takes place, as well as the role it plays within the broader mechanism for synchronizing knowledge portfolio development and its alignment with the host-country environment.

Cyclical Integration

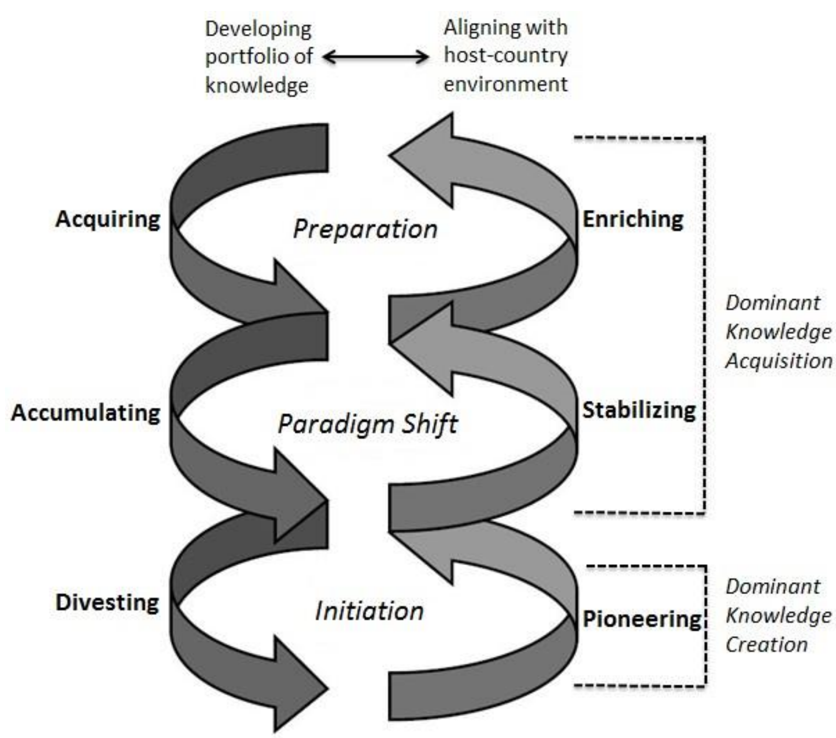
The development of a knowledge portfolio for the reduction of LON and LOF naturally includes microdynamics relevant to the resource orchestration perspective, such as *acquiring*, *accumulating* and *divesting*. On the other hand, aligning with the host-country environment suggests the entity's adaptation through refinement, choice, the establishment of efficiency of operations in the host-country, all aspects attributable to resource bundling and its microdynamics: *stabilizing*, *enriching* and *pioneering*.

Even though each process is important, it is commonly argued that the actual synchronization of these processes on a micro level is foremost for the value creation process (Sirmon et al., 2007; Sirmon et al., 2008). For that reason, particular attention is paid to the way the processes of knowledge portfolio development and knowledge alignment interact to promote the creation of value unobstructed by LON and LOF.

The synchronization of processes and their logical ordering represent the microfoundational prerequisite for the development of environment-specific advantages in a host-country setting. I look at the complex relationships between the *preparation*, *paradigm shift* and *initiation* processes (identified in Chapter 5), in order to explain not only the flow of knowledge in the transnational setting, but also how knowledge is structured and bundled, which is an important question posed by Sirmon, Gove, and Hitt (2008).

In Figure 6.2, I show the cyclical integration framework that TEs have structured to reduce the negative influence of LON and LOF.

Figure 6.2 Cyclical Integration Framework, Source: Adapted from Sirmon et al., 2007



When lacking technical and commercial capital, TEs *acquire* intangible assets from the knowledge reserves already available to them. Companies attempt to diversify themselves by finding new applications of existing knowledge resources. In that sense, the knowledge reserves that stem from the entrepreneurs' familiarity with the home-country environment serve as the basis of the acquiring process.

Nevertheless, given the liabilities of newness and foreignness that such actors experience, and in particular, their lack of awareness of the host-country environment, this acquiring needs to happen with the agenda of establishing congruence with the environmental preconditions and expectations, rather than simply replicating home-country market values. Entrepreneurs in the early stages of their transnational development are typically unaccustomed to the business environment's requirements. For that reason, the actors' preparation for market integration coincides with the attempts to not only acquire, but also enrich capabilities by extending to Diaspora network knowledge. This is a repetitive process employed for the enhancement of congruence. The cycle formed by the knowledge microdynamics *acquiring* and *enriching* allows actors to go through a process of preparation for engaging the actual host-country business environment.

The incremental nature of the integration framework is designed to replicate the actors' observed behavior. The second observed process is *paradigm shift* and is comprised of the *accumulating* and *stabilizing* microdynamics. As mentioned already, accumulation of knowledge gives rise to internally developed structuring processes (such as gaining perspective, organizational design/model development, etc.) that contribute to knowledge advancement. Nevertheless, in order to fit the foreign institutional, business and social environments, the accumulated knowledge requires stabilization through the knowledge reserves of the Diaspora network. Stabilizing embodies minor incremental improvements to the entrepreneurial entity's existing capabilities. Along with general incremental improvements to existing capabilities, the cycle of *paradigm shift* encompasses the verification of market knowledge, management operations and production practices and is the second and the last cycle of the incremental knowledge acquisition.

The last cycle is defined by the process of *initiation*. Here, entrepreneurs engage in knowledge creation, following their attainment of greater self-confidence and customer base. The process is characterized by the *divesting* and *pioneering* microdynamics, important for improving efficiency. The need to re-evaluate current enriched and stabilized capabilities promotes the divestment of resources that impede or no longer help the value creation process. Realizing that they need to get rid of knowledge or capabilities with questionable applicability to their host-market focus, TEs engage in knowledge pioneering stemming from the interaction with other diaspora members. In this cycle, knowledge divesting and pioneering is synchronized for the generation of novel applicable ideas whose worth surpasses the sum of the shared capabilities and which fill in the gap that may be created by the knowledge divesting. Furthermore, the newly created knowledge can later be used to improve network standing or trade with other network actors.

6.5 Conclusion

According to Ostgaard and Birley (1994), it is possible for an entrepreneur to use his/her network to improve the survival chances of his/her business because of the learning opportunities that personal networks provide in the early stages of growth. The current study finds that Diaspora networks give TEs unique organizational infrastructure that guides the way resources are managed, combined and utilized.

TEs' high embeddedness in transnational networks empowers newly formed companies to rapidly realize and easily manage inter-actor ties, without investing too many resources in keeping them alive and functional (Morse et al., 2007). It is hardly possible for competitors to attain or imitate these specific organizational benefits due to the complex social attributes on which embeddedness is built (Nelson and Winter 1982; Grant 1996a, 1996b; Spender 1996a, 1996b). The low imitability makes the resources extracted from networks effective components for the establishment of long-term competitive advantage. This scenario motivates entrepreneurs to pursue external network knowledge and implement it for accumulating new market-favored capabilities.

CHAPTER SEVEN

Managing Interorganizational Business Relations

7.1 Introduction

Managing interorganizational business relations has long been recognized as a common goal for many businesses. The importance of this endeavor lies in managers' perception that better interorganizational positioning could help them build their businesses. In this chapter, I observe how TEs manage business embeddedness at an interorganizational level and what their strategic premises for doing so are.

The existence of TEs and their operational practices have not been thoroughly illuminated by current models of internationalization or entrepreneurship concepts (Etemad, 2003). Therefore, TEs' practices, in the context of the quickly changing nature of international competition, still remain imperfectly understood. Given that the transnational approach of conducting international business activities has already been well-grounded in practice, new theories are needed to explain TEs' business embeddedness and reliance on interoganizational structures. The interrelated capabilities, relations and skills that become part of TEs' survival toolbox need to be explicated and their application purposes elucidated.

Starting with an exploration of the paramount role of embeddedness for companies, as perceived by the transnational actors, the discussion then proceeds to the strategic practices that TEs engage in to achieve that embeddedness. An understanding of the motivation for embedding one's business is needed before we can fully understand the way embeddedness occurs and the steps that low-power actors, such as immigrant entrepreneurs, take when determined to move into more central, and powerful, network positions.

Little is known about the origin of transnational entrepreneurs' embeddedness and their abilities to recognize and strategize toward realizing a personal network rich in diversity, density, centrality, reachability, and availability of weak ties. I intend to look at TEs' strategy for building embeddedness. Unlike "organizational sociologists [who] have typically viewed network formation as driven by exogenous factors, such as the distribution of technological resources or the social structure of resource dependence" (Gulati and Gargiulo, 1999:1440), this study focuses on endogenous factors that could affect the actors' social mobility and the degree of embeddedness. Although the "exogenous approach to tie formation provides a good explanation of the factors that influence the propensity of organizations to enter ties, […] it overlooks the difficulty they [social actors] may face in determining with whom to enter such ties", which suggests that the exogenous approach could not fully illuminate the specificities and the dynamics of attaining social mobility (Gulati and Gargiulo, 1999:1440).

Moreover, focusing exclusively on exogenous events (e.g. technology innovations) as the primary instigators of social mobility is misleading. Low-visibility new business actors are highly likely to lack any technological advantage, and as a result, they cannot offset the lack of social resources, with readily commercializable resources. Therefore, overreliance on the explanatory power of exogenous factors would lead to a theoretical bias against the success of new business ventures in building embeddedness. Observed reality is not consistent with such a bias, however, and for that reason, we therefore need a more nuanced, inclusive model that explains how business actors can diminish liabilities of foreignness rather than simply offset them (Petersen and Pedersen, 2002). The findings provided in this chapter aim to build a solid empirical ground that will enable us to answer the following research question:

> *How do transnational entrepreneurs successfully realize and manage business embeddedness at interorganizational level?*

The chapter is structured as follows: it first discusses the organizational mechanism within the Diaspora. After exploring the mechanism, we then proceed to the complex process of trust building that TEs engage in to achieve network integration. The integration requires satisfying a set of initial trust requirements and the subsequent higher-level trust requirements, which we define as a black box. We conclude with exploring the missing element, the final prerequisite for the successful realization of embeddedness.

7.2 Organizational Mechanism

In the previous chapters, we have seen that the major drive for TEs to build a strong network-centered orientation is the desire to fill knowledge gaps through the exchange of market-favored competencies, and that they do this within the context of the Diaspora community, which is conducive to the achievement of such goals. However, the data also implies that it is important to note that relational links and the proximity among members within a social network might not be enough to translate into cooperation.

> *Communication does not always result in cooperation. Both of us should express willingness for that to happen. Moreover, even when we have the willingness, if the other party is preoccupied then I need to either look for assistance from another partnering company or to conduct significant reallocation of the available human resources in my company in order to still satisfy the client. We can work without cooperating and we will still be able to achieve good results, but cooperating makes it a lot easier. All companies have moments when they need some rush of new ideas and more energy in order to cope with their stuffed agenda full of business cases. I have established the channel for getting that energy to flow in moments of need or just moments when that will not cost anything to our partnering companies. It is not exploitation of other companies' resources, it is mutually beneficial. Otherwise, despite being friends, other owners would not continue that practice.* (Entrepreneur J)

Although the above quote provides assurance that the transnational network could serve as a mechanism that facilitates TEs in their attempts to develop or improve capabilities for achieving higher competitiveness, it also challenges the understanding that interrelatedness and social dependency could work effortlessly or without a cost. It is critical to be aware of what the essential enabler of collaboration processes within the network is.

According to the above entrepreneur, *all companies have moments when they need some rush of new ideas and more energy in order to cope*, which suggests that the majority of members within the network value reciprocity in moments of need, difficulty, or when an opportunity has been spotted. In other words, *anticipated reciprocity* is an essential enabler of collaboration processes within the network. The readiness to reciprocate provides implicit evidence of the strength of the established ties between the members of the social group. The stronger the ties, the more knowledge assimilation can take place and the more uninhibitedly the *new ideas and energy* can flow.

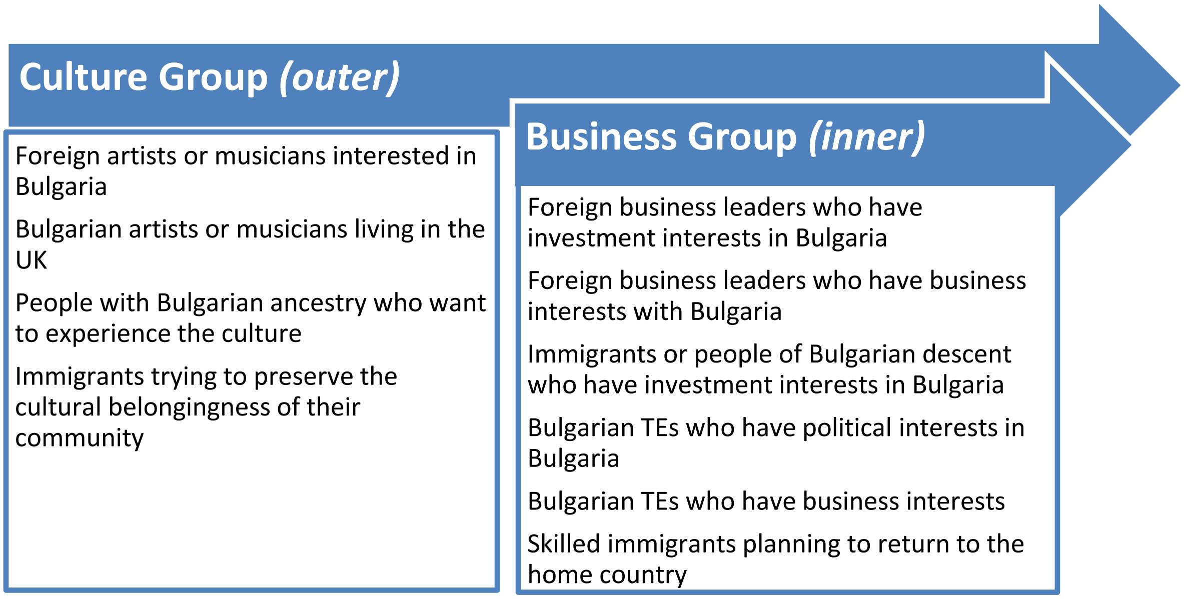
The observed cohesion between transnational entrepreneurial actors results in their readiness to engage in a form of alliance, where efforts and knowledge would be shared within the boundaries of the Diaspora. The informal alliance is facilitated by the common values, cultural understanding, social norms, cooperative norms (specifically anticipated reciprocity), and trust, all of which allow the enhanced absorption of information from other members' domains of knowledge and specialization.

The existence of a project alliance arrangement is explicated by the statement of Entrepreneur J, who, like the other interviewees, *has established the channel for getting that energy to flow in moments of need* (sic). The data expresses anticipated reciprocity, but in addition reveals that there is an established *channel*, which serves as an organizational mechanism.

7.2.1 Exploring the Diaspora mechanism

Diasporas granted access relatively easily upon conditions of ethnic belongingness. However, this is observed to assist the emergence of multiple Diaspora sub-groups (Figure 7.1). The subgroups identified during the ethnographic work are distinguished based on their roles within the Diaspora organization. Although the identified sub-groups might not exhaust all interpersonal formations within the broader social and business context, several categories have emerged more vividly than others have, namely, the business circle, the culture circle, and the student circle.

Figure 7.1: Examples of Diaspora sub-groups based on their role within the organization



The identified social groups are not static, as there are cases when members of the other social groups more to the Business Group. The multiple Diaspora sub-groups possess diverse business focuses, which is a prerequisite for intergroup cooperation, or what Grandori and Soda (1995) define as a broader scope of cooperation. As a result, coordination with the Diaspora sub-groups, or communities of practice (CoPs), becomes stricter and the functional access more limited. The data provides further support for this conception and shows that it goes beyond being simply a theoretical assumption. This is confirmed by Entrepreneur B's following statement:

> *The networking places are various but culture-related events and meetings are the most common ground for networking. Going to such cultural hubs is easy as they host everybody interested in promoting the national spirit. Being a Bulgarian and caring about my culture makes it easy for me to fit in.*
>
> **Prompt**: But does this involvement relate to your business goals?
>
> *It is not important where you network as long as you do it right. The cultural events are just the context. In fact, cultural hubs host not only ethnic artists and musicians, but also many business oriented individuals. Nevertheless, linking to the latter is not as easy as establishing contact with the former. A rule of thumb, however is that one can lead to the other, so involvement in general social activities is indeed related to my business goals.* (Entrepreneur B)

This quote points to the coexistence or even the interrelatedness of the culture circle and the business circle within the broader Diaspora context. As verified by the actor, access to the culture circle is granted upon the shared ethnic origin of the individual. The statement *linking to the latter is not as easy as establishing contact with the former* suggests the shared ethnic origin alone is not enough for linking to the business circles within the Diaspora. Nerveless, the interrelatedness of the social groups allows the gradual transition from the more accessible culture circle to the more demanding business circle.

The same stance is expressed by Entrepreneur A, who states the following:

> *Although you can very quickly become a member and attend all the events, people need to accept you and sometimes it does not happen instantly, actually it almost never happens instantly. It could be a very long process of building some credibility and trustworthiness. Trust is what grants access to knowledge. If a stranger comes and asks me to make him an equal business partner in my company … it will not happen. Going and asking somebody about their knowledge, experience, connections is the same, it might result in the loss of market and the loss of competitiveness. People often mask their stories and this is the most difficult part, to make them feel comfortable with you and discuss as friends, giving advice and support to each other rather than thinking very carefully what to reveal.* (Entrepreneur A)

The consensus that emerges from the data is that the culture-related social circle is easier to access and is perhaps the first one that business oriented actors enter when on the path of realizing business networking. Nevertheless, the next step, the transition from point A to point B *does not happen instantly*. It is exactly this transition that is the focus of the following section.

7.3 Trust-building as a route to network integration

It is interesting from a managerial and organization studies perspective to investigate the process of gaining trust when attempting to form collegial networks within the inner business circle of the Diaspora. The realization of such collaboration lies in the newcomers' gradual acceptance in the cross-organizational stratum, which is characterized in the following sections, which show how actors come to acquire trusted contacts, and what the contextual prerequisites for this are. Answering these questions requires the examination of trust as a result of social evaluation. For that reason, trust-building efforts that satisfy the socially constructed criteria are examined.

7.3.1 Initial trust requirements

The interviewed TEs refer to the skill of managing interorganizational business relations as a major requirement for survival and competitiveness in the transnational environment. A prevailing way for improving the prospects for collaboration between companies is the selection of associates by employing particular predictors of the desired business conformity and compliance (Grandori and Soda, 1995). Such predictors of the business aptness between partners are necessary due to the relatively open nature of Diaspora organizations, in which, as stated by Entrepreneur B, it is *easy to fit in* based on shared cultural attributes.

Once employed by the majority of the social actors within the transnational network, the employed predictors of the success of business collaboration become the driving forces that shape the access to and the coordination with communities of practice (CoPs) within the greater Diaspora system. The identified initial predictors are: *shared education*, *business interests*, *industry of operation*, *specialization* and *professional experience*. These predictors are exemplified by the following quotes extracted from entrepreneurs' stories.

Entrepreneur D, for example, has been asked with whom he talks during social and cultural events.

> *The first person I discuss business issues with is my business partner. He often has a very creative solution to business issues. In case we cannot find a solution, we broaden the circle to people we meet and ask for their ideas and suggestion. Depending on the specificity of the issue, we might choose to discuss it with the broader community, with professionals, or people familiar with the particular industry.* (Entrepreneur D)

D states that the first destination for resolving business issues is the already acquired and well-trusted contacts (e.g. his business partner). Nevertheless, it seems that an outsider has the chance to overcome such routines of the more established entrepreneur and become part of the information exchange if that individual is part of the *broader community*, possesses a business professional orientation and is *familiar with the particular industry*. The following quote further supports the observed predictors of information exchange.

> *What matters for allowing a person to approach me for a professional information exchange is the familiarity of the person with the field or the nature of the issue. I will not spend the time on a person who does not understand the field. It does not necessarily have to be my field of business, but possessing a general understanding, a sound one, will*

> *motivate me go beyond small talk. It has to be a win-win situation. My stake is increasing the chances of finding the solution to a problem.* (Entrepreneur H)

Entrepreneur I also clearly states that he discusses with *specific type of people*, which suggests the selectivity of established TEs when it comes to communicating business ideas and information to non-incumbents.

> *We often discuss with the members of the British Bulgarian Chamber of Commerce. However, the discussions there are very carefully conducted and only with specific type of people. We get many of our clients from this organization so sharing too many issues and with too many people might ruin our image. After all, the company claims to solve problems and if everyone knows that we go around asking for solutions it will degrade the credibility we have built. For that reason, we prefer to look at individuals who have experience with the services we offer. Such people can hardly ever become clients, so we can better control our image and still share information.* (Entrepreneur I)

The above array of statements illustrates that *shared education*, *business interests*, *industry of operation*, *specialization* and *professional experience* are important characteristics for gaining access to the inner business circle within the Diaspora organization. This stance has been confirmed by the collected data, as each one of the interviewed entrepreneurs implies the importance of these factors for initiating a form of initial collaborative practices.

Nevertheless, the collaboration at this stage is still at a basic level (i.e. *information exchange*). Although *information exchange* is an important step on the path of accessing knowledge-intensive communities of practice within the business core, fulfilling the required personal characteristics alone (*shared education*, *business interests*, *industry of operation*, *specialization* and *professional experience*) does not lead to marketable knowledge exchange or enhanced mutual value creation. This suggests the existence of an unknown factor (black box) – a condition for the operationalization of ties. What is inside the black box appears to be a logical successor of the already outlined steps 1) gaining access to the outer culture circle of the Diaspora, followed by 2) realizing information exchange through satisfying initial requirements for inner business circle fit. Therefore, we introduce the formula (1^{st} + 2^{nd})+X= anticipated reciprocity. This observation is in accordance with Ouchi's (1980) conclusion that "specificity of access may be all the more relevant in informal sociocultural networks that have to rely heavily on socialization as a mechanism for building up operating norms and values" (cited in Grandori and Soda, 1995:194).

In the next section, we will attempt to gain a glimpse into the black box for the sake of illustrating the mechanism that facilitates TEs' tie finalization[8].

7.3.2 Opening up the black box

In the next interview excerpt, Entrepreneur L represents the importance of trust building factors such as legitimacy (*team player*, *collaboration*), stability (*recommendations*, *history*, [*not*] *disappear overnight*), reciprocity (*responsibility to meet expectations*), efficiency (*having high returns*), asymmetry (*having* [...] *valuable resources*) and puts them in a context that helps us identify the occurring network processes and their direction-dependent dynamics. The trust must be mutual.

From the perspective of central actors, trust is regarded as an interpersonal enabler that legitimizes the individual and allows interaction with diverse groups of actors. This implies the existence of an organizing scheme that includes purposeful evaluation, which ultimately influences actors' social positioning.

> *Everybody wants to achieve network holism; that is, to be surrounded by useful partners willing to collaborate. People in my position are often the target, but I also target the ones who can meet expectations. The ones who have a history of collaboration, who have been recommended to me, are generally preferred. Nevertheless, sometimes with risk comes the return because you cannot find everything you need in your backyard.*
>
> **Prompt:** What is this risk comprised of?
>
> *I feel the substantial responsibility to meet expectations, so I expect others to feel the same. [...] It is risky when a company might disappear overnight. On the other hand, having high returns and valuable resources are not the only important aspects; proving to be a team player is as important.* (Entrepreneur L)

Established actors' willingness to grant institutional access to a peripheral entrepreneur originates from the agency and asymmetry seeking pressures that business opportunity seekers experience. These pressures characterize the ongoing need for new information, knowledge, and opportunities that could sustain business growth. Both novel and experienced TEs need to go beyond the comfort zone of the immediate network in order to attain some of the benefits typically associated with networks of weak ties. Entrepreneur F referred to the process of

[8] The moment at which a link actually becomes a business resource. The ties turn into actual resources that can facilitate a novice entrepreneur's business development,

reaching out beyond the homophily range of a network with the phrase "*the big fish is only caught in muddy waters*".

The socially defined predictor for business aptness between partners emerges even more vividly in the next statement. This predictor in the studied transnational network appears to be building trust that reciprocal activities will be conducted.

> *The major impediment is if you do not know where to look for that knowledge. Many companies look at their "neighbor's house". They look at companies that do the same and try to copy them. This creates loss of individuality and does not shape the business owner as a problem solver. Such people are most likely to continue copying everything from competitors. In that way they are always behind and cannot achieve a good image and reputation. The more they copy, the worse image they build, and the more difficult it becomes for them to get real knowledge. What I mean by knowledge is not simply to copy an approach, but to use what you can get in a creative way so that something unique is created, something that is hard to imitate. These are the partners I am looking for, the ones that have a track record of building up rather than exploiting.* (Entrepreneur E)

The above entrepreneur exemplifies how fair collaborative practices, based on a measure of *a track record of building up rather than exploiting*, could form the basis for special relationships with social actors. The resultant relational embeddedness is likely to lead to a substantial advantage originating from the increased innovation and creativity prospects. The importance of having a track record acts as a reputation indicator, which if present empowers TEs to gain functional access to transnational networks and the related CoPs, where innovation and creativity prospects are concentrated.

The conducted analysis points to a unifying paradigm of reciprocity based on trust. As implied in the following response, the overlapping perception of affiliation and promise creates a system that encourages reciprocity – even in the case of work with competitors.

> *All the people I meet … they are such a resource for different information. I know that but I always remain stunned how often the people I meet here facilitate business through either direct help or, more often, they connect me with the exact people I need. Just the right contact name and telephone number, this is great information. From there, it all depends on me, how I am going to present myself and the business. However, once I get the contact I know that the hardest part is over, as a lot of trust in the person and his cause is necessary before you give somebody access to your personal contacts. Not everyone is willing to do that without any incentive. I know that, so I try to give incentives. The incentive of reciprocity works most of the time.* (Entrepreneur A)

The successful management of the relationship system is in accordance with managers' entrepreneurial aspirations for business advancement on the competitive transnational ground. Entrepreneurs who build solid horizontal embeddedness on the interorganizational level in the foreign environment are prone to gain external assistance for their attempts to sustain negative environmental and business forces. Moreover, building lasting business embeddedness founded on reciprocity and trust on the interorganizational level suggests greater efficiency and lower collaboration costs. "As switching costs disrupt collaborative arrangements, tax joint outcomes, strain productivity and reduce partners' co-operative potentials, partnership-related characteristics, including trust, reliance on the partner's loyalty, and stability in the relationship, become necessary for achieving higher mutual benefits over time" (Etemad, 2003:224). The importance of solid relationships has been emphasized in the context of international new ventures. Sasi and Arenius (2008) show that the relationships of ventures' founders lead to access to resources important for the early stages of internationalization. It can be argued that it is precisely during the early stages of internationalization that actors are more prone to LON and LOF. Thus, it is logical to assume that relationships characterized by "a high level of trust and commitment, and particularly in the early phases of internationalisation" (Sasi & Arenius, 2008:400) not only help entrepreneurs "complete the first phase of internationalisation successfully" (Sasi & Arenius, 2008:409) but can also provide access to valuable intangible resources for diminishing liabilities of newness and foreignness.

The collected data provides evidence that cooperation within the boundaries of the transnational network leads to the discussed premises for higher market efficiencies and lower collaboration costs.

> *By being part of the club, I am given the opportunity to mingle with other business owners, exchange ideas and build inter-organizational bridges. Similar opportunities are present in the other organizations that I participate in but the difference is the direction of the organizations and the proximity to people. It is only in this community that we can link to competitors. It is an informal ground for collaboration, something that is hard to achieve among competitors.*
>
> *We are a team of people who are trained and have learnt from practice, we have gone over similar hurdles so everyone realizes competitors do not mean enemies. Everyone has some useful experience … it is distributed to all members of the community. That is why I teach my employees … and they know already. They have their eyes on not only the*

clients, but also on competitors as that helps for spotting areas for improvement. (Entrepreneur L)

Reciprocity is considered not only an important trust characteristic, but also a leading business enabler. It is viewed as a factor that lowers transaction costs. It is observed to outweigh the confidence, or the lack of such, that results from the entrepreneurs' and the companies' age. In that way, the perceived liability of newness is ameliorated within the network, which grants even new companies the chance to quickly engage in the network's transactions once they are viewed as apt and trustworthy associates.

The purpose of this section was to identify the additional factor that enables ties finalization (i.e. reciprocity). Opening that black box facilitates the understanding of how transnational entrepreneurs manage business embeddedness at interorganizational level. The data indicates that transnational entrepreneurs accomplish a certain degree of administration and control over their relationships through reciprocating. But while the importance of reciprocating in the TE context has been demonstrated, what still remains vague is how reciprocity occurs.

Due to the dynamism of the network, attributed to the actors' fluctuating inclusion and exclusion based on their status change, the entrepreneurs are not static in their efforts to engage in transactions. The dynamic processes that TEs engage in to secure business embeddedness at the interorganizational level are discussed in the following section.

7.4 The Notion of Activeness

We have seen that although social organizations are known to provide a favorable ground that facilitates the exchange of tacit knowledge (Nonaka, 1994), Diaspora actors may require an additional tool for the comprehensive network sub-group integration and satisfactory knowledge interchange and creation.

The considerable efforts for higher interorganizational collaboration are due to the network actors' need for predictability in the flow of the desired cross-organizational contribution. Therefore, it was important to clarify the generally accepted predictor of business aptness that TEs regard as an informal confirmation of the other party's readiness to engage in a non-opportunistic relationship. It was inferred from the data that it is the perceived reciprocity that leads to the establishment of long-term interaction among the network members.

The following quote discusses in retrospect the organizational mechanisms within the TE network, as first viewed by a newly entering entrepreneur.

> **Prompt:** How do/did you overcome these challenges resulting from foreignness?
>
> *You do not just overcome it, you need to defeat the challenge. Once attached to the environment it all becomes easier. However, until that moment happens a lot of time and efforts are required. I remember when I first came here and when my brother started to introduce me. I was more excited to know these people than they were to know me. I did not want anything from them at that time, but they knew I also did not have anything to offer at that time. Only later, when they saw that I have passion, supported with work experience in the sector, they started to see that I might be able to stay around. When they know that you are here to stay, they start approaching you instead.*
>
> **Prompt:** *Do you say that about your Bulgarian social circle or about the British one?*
>
> *For both. It is true for both groups. It is easier to rely on your nationality to approach them and start a conversation, but for a different type of communication, on a different, lower, level. Ethnicity is not enough. The only difference between the two groups is that you have that little step, being a Bulgarian, which postpones the time when you have to prove what is actually different about you and your idea. The time is less when British groups are approached. One's capabilities, experience, potential are the tools that need to be used for getting their attention, for making them remember you and most importantly making them convinced that you might be someone that might be of use at some point. This is the starting point. The more you continue to communicate with these people, the more you become a desired party, as they have the perception that you can support them in some way. Once this is achieved neither the British nor the Bulgarian partners can afford to lose you; the flow has been created, and the barriers have been removed.* (Entrepreneur C)

The above stories offer a vivid example *how existing links within the Diaspora are strengthened*, from the perspective of an actor who was initially not strongly embedded in the network. By stating, *I was more excited to know these people than they were to know me. I did not want anything from them at that time, but they knew I also did not have anything to offer at that time*, the entrepreneur clearly shows his understanding that the ethnic affiliation is not enough for achieving high embeddedness. However, ethic affiliation might facilitate communication, *on a different, lower, level*, which is not sufficient for ties finalization but could *postpone the time when you should prove what is actually different about you and your idea*. The entrepreneurial actor differentiates the Bulgarian social circle from the British one, based on their tendencies to defer actor's evaluation. Moreover, it appears that both social groups have not only different evaluation lags, but also the actors' evaluation is different in its nature. The entrepreneur clearly states that *the time is less when British groups are approached*, but he also reveals that *one's* *capabilities, experience, potential are the tools that need to be used for getting their attention, for making them remember you and most importantly making them convinced that you might be someone that might be of use*. It appears that British companies and communities, as described by the TE, put higher emphasis on more perceptible entrepreneurial qualities that could have a direct influence on a mutually beneficial business relationship. The actor's awareness of the social and entrepreneurial organizational mechanisms is not limited to the basic evaluation practices within the business communities; instead, he describes it as just *the starting point*. The explication of the TE's understanding of the network dynamics (*the starting point)* reveals strategies for increasing business embeddedness at the interorganizational level. The actor's strategic orientation for reaching embeddedness at the interorganizational level is based on the consciousness that *the more you continue to communicate with these people, the more you become a desired party, as they have the perception that you can support them in some way. Once this is achieved neither the British nor the Bulgarian partners can afford to lose you; the flow has been created and the barriers have been removed.*

The above quote explains how the ties to Bulgarian and British business leaders relate to *building of links*, and how *exchange of ideas* is attributed to the two social groups.

The phrases *the flow has been created* and *the barriers have been removed* hint at the existence of multilateral exchange and the entrepreneur's attempts to occupy that intermediate position. The multilateral character of exchange is further confirmed by the following quote:

> *I want to show British companies that our company has a better success rate and a positive track record of cooperation. In addition, I want to show that we are better linked to financial, governmental, and industry organizations in Bulgaria, which will increase the chances of successful lobbying or negotiations if necessary.*
>
> **Prompt:** *You seem to be very well-connected to such institutions.*
>
> *We have our links to institutions, most of the times indirect. It is easier to find the link after having somebody interested in it. First, it gives us the motivation to look for the connection to the particular party, and second, it sends clear signals to the people who have that connection.*
>
> **Prompt:** *What signals?*
>
> *Signals that we have secured a foreign client who can pay the bill or a partner who can provide support for us in the same way we do. It says a lot to others about our capabilities and position.* (Entrepreneur K)

These signals improve the social standing of TEs within the communities that have links to *financial, governmental, and industry organizations in Bulgaria* (Diasporas). The improved trust is a functional enabler that plays a positive role in achieving the immediate business goal. Having secured a *foreign client that can pay the bill or a partner that can provide support*, the entrepreneur benefits from amplified recognition within the Diaspora. This is in accordance with the previously mentioned finding that ethic affiliation facilitates communication on a *lower level* only, while deferring actors' evaluation. The above quote provides confirmation that tie finalization can only occur when the business actor pool is *convinced that you might be someone that might be of use*.

To further explain the organizational mechanism that strengthens existing links within the Diaspora, entrepreneurs have been asked whether and how they are trying to increase already existing links to information sources. The key phrase here is *already existing links* because it refers to the time when the link could be physically located within the network but not functionalized yet, as the actors' evaluation had been deferred; ties are not finalized until the adequate level of trust has been reached.

> *Given the importance of information sources, this* [trying to increase/strengthen already existing links to information sources] *is the only logical move. We want to secure our position, so increasing the scope and strengthening existing links is a priority. We increase our scope through building bridges to non-governmental public organization, such as clubs, social groups, but also to governmental organizations, embassies, chambers of commerce, online businesses offering catalogues. We attend different industry-specific forums. We cooperate with everyone, even with other trade consulting companies. In the long-term this brings positives for both sides.*
>
> **Prompt:** *In what aspects of your business does information play significant role?*
>
> *To sum up, information is what helps to expand the participation in work projects and also increase the authoritativeness of our consulting reports.* (Entrepreneur C)

The above quote provides condensed evidence of the entrepreneur's goal and strategy for reaching it. The objective is to *secure our position* for the purpose of *increasing the scope and strengthening existing links*. The *priority* is *building bridges* to organizations/individuals. The desired bridging position that allows spanning across two business and social environments *helps expanding the participation in work projects*, and again hints at the multilateralism of the exchange. The entrepreneur shows an understanding that *participation in work projects*, rather than a rise in work autonomy, is what leads to success and *increasing the authoritativeness of our consulting reports* in the multilateral exchange system.

The same theme is observed on multiple occasions, which solidifies the findings attributed to TEs' strategic orientation and execution.

> *What I think my company needs even more is access to information in both the home and the host country. In my opinion, the higher the quantity and the quality of information, the less task processing time that we will need. This will increase our efficiency and will reduce the maintenance cost for maintaining the information sources. The more information access we have, the more adaptable to the fluctuations in the economy and the environment we can be. And last but not least, this also increases the comprehensiveness of information.*
>
> **Prompt**: *Who do you count on for improvements with regard to the above-selected factors you recognize as important for your business development?*
>
> *I count on myself of course. I understand the importance of having access to information and I am working in that direction. I rely on our clients, business partners, government officials or just people that I know to introduce me to other parties, so I count on them to some degree, but it is me who motivates them to introduce me to others. It all starts from my view and my understanding of the company's development prospects.* (Entrepreneur D)

The juxtaposition between the home and the host environments emerges in an even more vivid way in the above quote. Some of the resulting benefits from the juxtaposition of information sources attributed to the bilateral strata fall within the pattern *the higher the quantity and the quality of information, the less task processing time that we will need*. Bridging the two general information strata does not only *increase our efficiency*, but also *will reduce the maintenance cost for maintaining the information sources*. The last statement leads back to the previous finding that reputation is viewed as a factor that lowers transaction costs, but in addition makes a company *more adaptable to the fluctuations in the economy and the* environment, thereby decreasing the liabilities that threaten the existence of the company.

The second part of the quote shows the actor's understanding of the social and entrepreneurial organizational mechanisms within the Diaspora. The entrepreneur understands the network dynamics and takes a proactive position to increase embeddedness. He relies on business partners, but has a clear strategic orientation that it is he himself *who motivates them* (business partners) *to introduce me to others*. The observed consciousness shapes the steps that TEs take to reach interorganizational embeddedness. Despite variation in the TEs' discourse, the same strategic orientation is pervasive throughout the data and galvanizes TEs' attempts to fully absorb the benefits of belonging to a Diaspora organization. This becomes obvious from the following quotes:

> *Apart from promoting what we do and getting new clients, the participation in such organizations builds reputation and establishes various contacts with different business spheres and social circles.* (Entrepreneur B)
>
> *We are committed to our supporters. We provide integrity and attentiveness by working closely with them. That strengthens the links to information. We want these links to turn into a long-term relationship.* (Entrepreneur E)

TEs' strategic orientation, as shown above, leads to aspirations and ultimately strategic actions. The latter is demonstrated in the following excerpt:

> *Being active inside and outside the community increases trust and reputation. It is so different from doing business the straightforward way; I believe this is the right way.* (Entrepreneur A)

This quote not only reaffirms the existence of multilateral exchange, but also sheds light on the notion of activeness. That notion is based on the belief that each member needs to be proactive to finalize his or her ties. The proactiveness is viewed as the notion of being simultaneously *active inside and outside the community*. Acting as a bridge between the two strata justifies network incumbents' anticipation that the newcomer (or the peripheral actor) can reciprocate. Moreover, the bridging function *increases trust and reputation*, which are the building blocks of successful tie finalization.

Further justification of TEs' strong orientation towards bridging is provided below.

> *We conduct it in a personal way. Personal contact is very important and our partners value it. Our foreign clients and partners cannot complain of a lack of personal contact either. I even think that the personal contact with them is even stronger. Personal contact substitutes for the relatively meager track record in the foreign* [i.e., host] *country.* (Entrepreneur L)

The excerpt reveals that TEs aim at remaining affiliated *inside* and *outside* the Diaspora. Attributed to the notion of activeness here is the vigorous attempt to keep the contacts functional by maintaining personal affiliation that enhances the actors' bridging capabilities.

Furthermore, the notion of activeness within and outside the immediate ethnic community is suggested to *substitute for the relatively scarce track record in the foreign country*. Therefore, p*ersonal contact* appears meaningful enough to mitigate the *meager track record in the foreign country*. Personal contact with both groups builds up stronger track record, which could be employed in business relations.

In addition, the entrepreneur states *I even think that the personal contact with them* (clients and partners native to the host country) *is even stronger*, which reaffirms the previous finding that transnational entrepreneurial actors differentiate the Bulgarian social circle from the British one, based on the tendencies of the former to defer evaluation. Embeddedness in foreign social/business groups demands facing and strategizing for overcoming the immediate evaluation that these groups conduct, as opposed to the evaluation lag within the Diaspora. Based on the above and the following quotes, the route to getting a positive evaluation goes through establishing and maintaining *personal contact*.

> *Personal networking is often more important than the actual quality of what you have to offer. There are many people attending social events, many of them have the same reason to go there … building business networks. However, this is wrong. The goal should be building personal networks and can only later transform into business networks, when an opportunity is spotted. Whenever I go to such events, I try to sell myself first with the contacts I have with British organizations, not with the services that I offer.*
>
> *In consulting, the quality of outcome depends on the quality of the person who is engaged in the consulting research process. Moreover, people tend to go away if you are just a simple salesman in a suit who is putting bait on. Such salesmen are easy to recognize, they buzz around … go to everyone but that is not attractive. It is attracting similar people, other salespeople, but the important players stay away from them, they have their own circles and they seldom let others in. Building contacts with the social surrounding of key people gives access to them. Of course, this takes time and many things can go wrong at each step if one is not careful. It requires psychological skills to size up the situation and the people.*
>
> **Prompt:** *What are the benefits that your business has seen from your personal networking?*
>
> *Sometimes it is more than enough if contacts established through personal networking just introduce me to their contacts. This simple gesture gives me the possibility to build upon my relationship with the person and to expand my influence in different groups. I have got access to people who I would not have been otherwise able to even talk to. No matter whether we end up with the job, this is pretty strong evidence that a personal network is an engine that can take our business far. Just as the engine needs maintenance, so does the personal network, otherwise the engine will stop working.* (Entrepreneur C)

The above quote clearly depicts the initiatives for establishing and maintaining *personal contact* that TEs engage in. The method for acquiring an affirmative evaluation and accordingly acceptance in social or business circles that *seldom let others in* is exemplified by the statement *Whenever I go to such events, I try to sell myself first with the contacts I have with British organizations, not with the services that I offer.* This statement demonstrates the importance of having local business contacts with that are viewed by other Diaspora members as assets. Highlighting affiliation with foreign organizations is considered a practical method for increasing social embeddedness due to the network actors' expectation that members bring novel knowledge and potentially opportunities into the Diaspora network. This anticipation transforms into demand for foreigners' inclusion as a precondition for realizing higher reputation and with it interorganizational embeddedness. Capitalizing on the community's expectations has brought the above entrepreneur significant benefits, summed up in the sentence: *I have got access to people who I would not have been otherwise able to even talk to.*

7.5 Summary

The collected data has explicated the important process of tie finalization – or how exactly having a linkage translates to having a functional business resource. Tie finalization has been approached through paying close attention to the endogenous factor of anticipated reciprocity, which can affect the actors' social mobility and the degree of embeddedness.

The transition from a tie to a tangible or intangible resource is likely to be challenging in social realms where business relatedness to other actors is not dictated by the achieved membership. Due to the relatively open nature of Diaspora organizations, finalization of ties has been recognized as an important factor within the transnational network context of the current study. Granted with relatively easy institutional entrance, TEs aim to equip themselves with trust factors whose significance is recognized by the network members. In its recognized network role, trust is not only a predictor of the business aptness between partners, but also a tool that aids in overcoming the challenges of tie finalization.

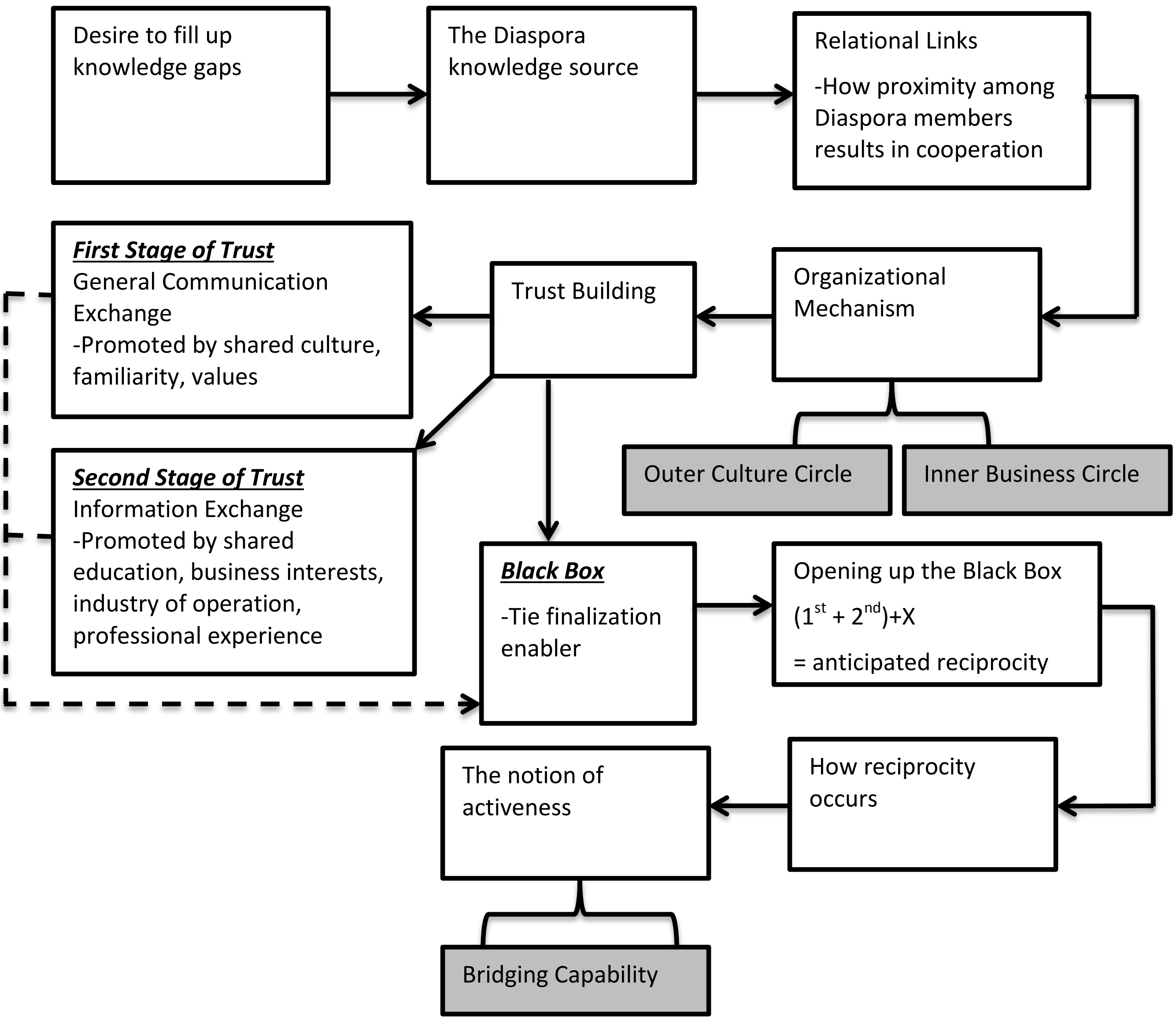
The contribution of the current research lies in revealing TEs' strategies for building trust, used for tie finalization in interorganizational social environments in which knowing a person will not necessarily translate into quick business cooperation, especially in cases when the desired party has multiple candidates and no pending or foreseeable needs.

In current research on social networks, there appears to be a consensus that prior ties almost automatically lead to fresh ties (Gulati, 1995; Hallen, 2008; Hsu, 2007); however, this suggestion is not fully supported by the collected data on the transnational network. Although the above has been recognized as a feature of the actors' interorganizational network relatedness, the data points to an important prerequisite before the aforementioned linear relationship can arise. The network actors' expectation that members bring external knowledge and opportunities into the institutional network formation shapes the demand for foreigners' inclusion as a prerequisite for achieving higher trust levels and interorganizational embeddedness. The ability of a transnational network member to sustain communication or attract a newcomer with established business activities creates higher trust and assists tie finalization.

Such activities appear to be highly valued by the TE community as they push the boundaries of the Diaspora organization and thereby further its constant adaptation and integration to the host country business environment. It has been observed that TEs use new external ties to build higher embeddedness to old ties, the latter generally being preferred and regarded as valuable for providing concentrated knowledge for battling liabilities of newness and foreignness due to their personal experience in this. In that sense, the suggestion of the broad-spectrum social network research that prior ties introduce fresh ties is not challenged, but rather enriched by adding an extra loop, nurturing the generally accepted linear relationship.

To summarize the flow of the discussion that this chapter offers, I provide a framework (Figure 7.2) that illustrates how the findings unfold and what are the relationships they delineate.

Figure 7.2: Flow of Themes in Chapter 7



Legend:

- Discussed themes
- Composites
- Thematic flow
- Prerequisite

CHAPTER EIGHT

Realizing and Managing Business Embeddedness

8.1 Introduction

This section discusses the themes and the findings illustrated in the previous chapter in light of the literature. The chapter's design not only assists in integrating the study to the strategy and network academic debates, but also in addressing gaps in the literature regarding (a) the endogenous factors that affect actors' social mobility and degree of embeddedness, and (b) how tie finalization is achieved. Filling these gaps in the literature facilitated answering the posed research question: *How do transnational entrepreneurs successfully realize and manage business embeddedness at interorganizational level?*

The chapter is structured as follows: it first discusses the Diaspora structure and how the Diaspora mechanisms facilitate knowledge exchange. It then explores how TEs manage relationships within the network and the importance of the trust factor in this management. The discussion of the stages of trust when forming collegial networks naturally leads to the *sine qua non* for achieving the highest level of trust in the network, a factor necessary for building embeddedness that we define as a black box. Towards the end of the chapter we determine what exactly allows firms to turn network ties into resources; that is, to *finalize* their ties. We then close this chapter with some important conclusions.

8.2 Diaspora Structure

The current study has examined TEs' aspirations to engage in the British business environment. The investigation focuses on transnational entrepreneurial companies' activities within the locus of Diaspora organizations as a context for their attempts to achieve interorganizational level embeddedness.

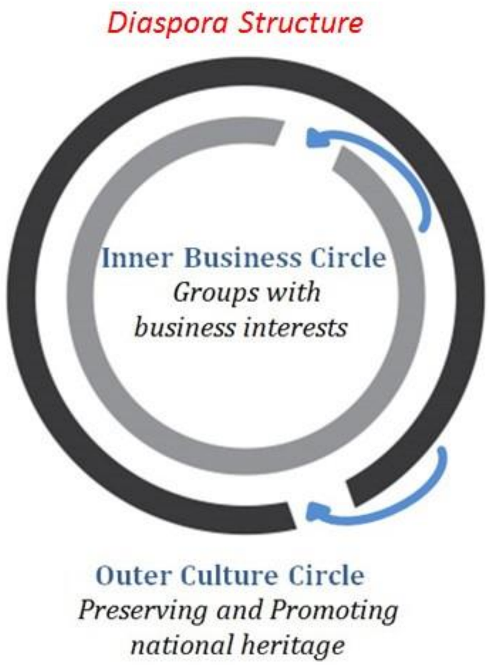
The reported findings suggest that an important reason for TEs to establish durable network-centered orientation is their need to compensate for knowledge insufficiencies through the exchange of market-favored capabilities. This is in accordance with the characteristics of Diasporas, known to integrate rich knowledge in their core operations, as suggested by Becerra-Fernandez and Sabherwal (2008). The available knowledge in Diaspora communities develops actors' learning and offers them expertise on how to effectively adjust to the foreign environment and its business peculiarities.

Knowledge is often characterized as being either tacit or explicit (Polanyi, 1966). Explicit knowledge is the most available kind of knowledge and is easily distributed through different kinds of networks. On the other hand, tacit knowledge cannot be easily distributed or even expressed. The characteristics of tacit knowledge, as defined by Polanyi (1966) and Nonaka's (1994) statement that tacit knowledge is most effectively carried through the channels within social networks, establish Diasporas as a particularly good setting for the development of knowledge. The choice of the selected context is further supported by Skyrme's (2000) claim that a significant amount of knowledge exists in social groups due to the relational links between members.

When individuals operate collectively in an organization, they intuitively detect each other's characteristics and capabilities and learn how to operate within the environment to acquire a specific know-how or benefit from another actor's skills, knowledge, or experience (Skyrme, 2000). However, the organization studies and network literature has focused more heavily on the internal networks of corporate organizations, where identifying and extracting actors' capabilities have not been hindered by external competitive dynamics. For that reason, the current study acknowledges that identifying other companies' capabilities and then managing to actually extract them is not a straightforward task, given that actors' competences are often dependent on tacit knowledge that is hard to extract.

Although social networks are recognized for their ability to provide a favorable ground for the exchange of tacit knowledge (Nonaka, 1994), it could be argued that Diaspora organizations demand a supplementary tool for the comprehensive extraction of knowledge. This idea is instigated by the understanding that "the broader the scope of cooperation, the stricter the rules of access will be" in a social organization (Grandori and Soda, 1995:186). As shown in Chapter 7 and illustrated in Figure 8.1, Diasporas have relatively easy access to an *outer culture circle*, which is granted upon ethnic belongingness; however, reaching the *inside business circle* and sustaining coordination with communities of practice (CoPs) is much more difficult.

Figure: 8.1: Diaspora Structure



Granted relatively easy institutional entrance to the outer circle, TEs aim to make the transition to the inner business circle, where they can effectively build up existing knowledge capabilities. The actors' desire for deeper embeddedness in the business core of the Diaspora network is promoted by prospects for securing access to more relevant and richer information, flowing from broader and faster information/knowledge channels. The observed prospects could be arranged in Burt's (1992) framework for information-related benefits (Table 8.1). This allows better expressing the expected practicalities stemming from the actors' achieved embeddedness to the business communities of practice.

Table 8.1: Information-related benefits of embedding to the inner business communities; Source: adapted from Burt (1992)

Access to new information	• Mapping problems and realizing areas for improvement • Establishing access to companies whose experience could be applied to business customers • Connecting to customer to explore their needs and desires • Connecting to competitors
Timeliness of information	• Introducing new products/services to the market • Establishing endurance and longevity of relationships • Better positioning in the market (discounts or other incentives, discontinuing a product/service)
Referrals	• Promoting the company and the related business activities • Improving distribution network • Facilitating collaboration processes • Improving negotiation outcomes • Generating ideas

Moreover, our findings supports prior results on the importance of relational networks for the pace and breadth of building international business activities (Bell at al., 2003; Chetty and Campbell-Hunt, 2004; Freeman et al., 2006). Transnational networks are an essential source of knowledge that impacts SMEs' development in the international arena (Harris and Wheeler, 2005). The utilization of business linkages allows easy diffusion and timely expansion of markets and operations. Moreover, transnational networks store, protect, and activate knowledge, which further facilitates business growth.

A positive relation between entrepreneurs' international experience and their ability to form internationalization networks, not burdened by opportunistic agents operating in the supplier and customer channels, is observed (Reuber and Fischer, 1997). By definition, TEs possess a wide range of international experience, evidence for which has also been revealed in the collected data. This experience, coupled with their operations within transnational networks, develops managers' cognitive abilities and leads to the perception that both knowledge identification and knowledge communication are of importance (Nahapiet and Ghoshal, 1998). The understanding that knowledge transfer could bring benefits not only to the one who receive it, but also to the contributor, naturally reduces opportunism.

Despite the common vision and orientation that exist among TEs in the network (and which make that network resemble a CoP), coordination is not absolutely uncertainty-proof, due to the known difficulty of administering and finalizing contacts, and correctly determining the competences of everyone in the network (Freeman et al., 2006).

Uncertainty is a major factor that discourages companies from realizing “the seemingly obvious advantages of participating in regional institutions”, some of which (in the TE context) are listed in Table 8.1 (McEvily and Zaheer, 1999:1140). As McEvily and Zaheer (1999) have suggested, domestic start-ups are not easily persuaded to use regional institutions’ amenities, services and opportunities because unlike transnational actors, they might lack the international experience or the ability to form internationalization networks, and this lack increases the risk of becoming victims of opportunistic behavior (Reuber and Fischer, 1997). As a result, the inability to moderate opportunism prevents many businesses from using regional institutions to leverage their efforts to learn and develop new capabilities.

The uncertainty about partaking in such formal or informal regional organizations originates from the fear of losing sensitive information about in-house capabilities. “To receive assistance with an organizational problem, a firm must provide some information about its current operations so that the issue can be analyzed and diagnosed” (McEvily and Zaheer, 1999:1140). For firms in this situation, although opportunities do indeed exist, they are perceived to involve hidden risks to the companies’ competitive advantage if opportunistic actors appropriate the knowledge or take advantage of sensitive information. Many companies hesitate to engage in regional institutions, as they are regarded as quasi-public entities whose purpose is to spread the acquired knowledge to all of their members (McEvily and Zaheer, 1999). As a result, regional institutions could theoretically support a company’s competitor to resolve an analogous issue.

Therefore, when considering the formation of long-lasting collaborative affiliations within organizations that support mutual business development, we are inevitably brought up against the question of cooperation versus competition. The two concepts are often regarded as opposing forces, as incompatible as the identical poles of two magnets. Thus, for example, McEvily and Zaheer (1999) find that companies will inevitably have to focus on one or the other. However, there are also other views on this question, and Wit and Meyer (2004:14) write that “although these opposites confront strategizing managers with conflicting pressures, somehow they must be dealt with simultaneously". The findings of this research, showing how TEs have successfully adopted a paradigm of overlapping competition and cooperation activities, tend to support the latter view of the matter. Finding the balance between these forces is important because the resulting synergy, translated into the successful operation within a geographic institution of rich ties, is a cornerstone of the overall strategy of the TE companies.

8.2.1 Facilitating balancing mechanisms

In order to better explore the business embeddedness occurring at an interorganizational level, the balancing mechanisms that exist between transnational organizations and within the greater transnational network have to be analyzed. The analysis has been assisted by dichotomizing the existing governance mechanisms through applying the main streams of governance structure – unilateral and bilateral (Heide, 1994). The division between the two notions lies in the control mechanisms employed, or the lack of such, for the management of business relationships and mutual activities.

The underpinnings of the unilateral method of governance are an unequal power distribution and the ability of one actor to influence others and their business activities. On the other hand, the bilateral method of governance relies on the blend of common interests and regular communication between business professionals, which translates social relations into economic action (Lusch and Brown, 1996).

It has been confirmed that "moderate unilateral governance combined with bilateral or relational based governance mechanisms are likely to govern exchange parties effectively as the organizations seek desired outcomes" (Sinkovics et al., 2011:5). The governance structure within the transnational network is found to employ exactly such a combined governance mechanism, consisting of collaboration as a form of bilateral governance and trust control as a form of unilateral governance, a balanced paradigm that supports cooperation despite the possible competition based on trust-related premises. The unilateral form is evident due to the emphasis that TEs put on control, achieved through the perception of higher reputation and trust. At the same time, the bilateral form is also present, due to TEs' readiness to work together for the attainment of a common goal, or the solution of a common problem.

The combined diverse governance structure signifies the confidence in cooperation that is embedded in the network. The trust control factor assists the establishment of organizational and production or service delivery efficiencies (Shepherd et al., 2000). The actors' reputation in the network relates to their trustworthiness, their ability and intention to engage in mutually beneficial operations. The purpose of this trust control within the Diaspora community is to stimulate anticipated cooperative behavior, e.g. reciprocity, through the inclusion of soft, unobtrusive methods based on shared morals, principles, perceptions and professional orientation.

Das and Teng (2001:117) delineate trust control factors as necessary for the formation of "a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state". Following this direction, the next section discusses how trust necessary for gaining functional access to the inner business circle of the Diaspora is achieved.

8.3 The trust prerequisite for forming collegial networks

TEs' effective administration of relationships is a vivid business objective, which facilitates the development of competitive capabilities and the business expansion in the host country. Entrepreneurs who manage to establish dense and durable horizontal embeddedness in the foreign market are likely to benefit from external support to their endeavors to withstand negative business forces, most often originating from managers' weaknesses in responding to the new environment. In addition, building durable business embeddedness based on anticipated reciprocity and trust is conducive to greater efficiency that in turn lowers the collaboration costs. "As switching costs disrupt collaborative arrangements, tax joint outcomes, strain productivity and reduce partners' co-operative potentials, partnership-related characteristics, including trust, reliance on the partner's loyalty, and stability in the relationship, become necessary for achieving higher mutual benefits over time" (Etemad, 2003:224).

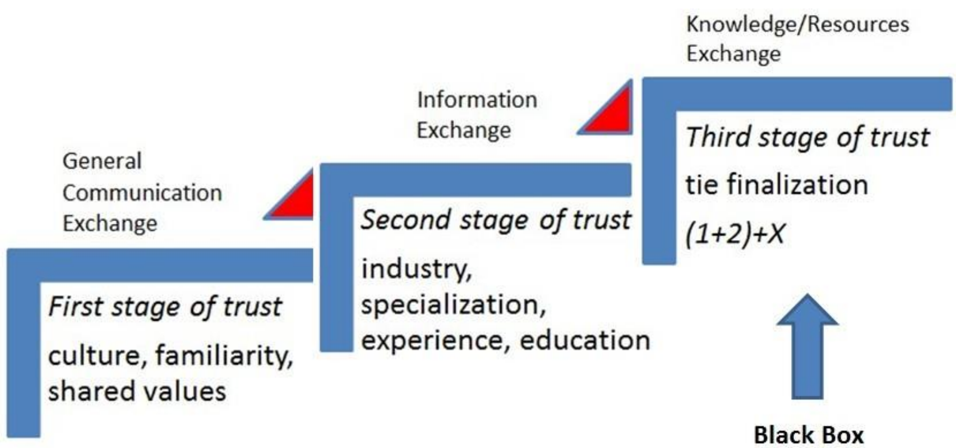
One way in which business actors seek to reduce the risk of cooperation is to evaluate potential partners using a specific predictor of their anticipated business conformity and compliance, which allows for identifying other companies' capabilities (Grandori and Soda, 1995). They find it necessary to assess newcomers in this way because of the comparatively open nature of Diaspora organizations, which could be seen as raising the level of risk in collaborating with newcomers to the network. If such a predictor of the success of business collaboration becomes used widely by the key social actors operating in the transnational network, it develops into a force driving the access to and coordination with communities of practice (CoPs) within the greater Diaspora system. This finding follows Ouchi's (1980) conclusion that "specificity of access may be all the more relevant in informal sociocultural networks that have to rely heavily on socialization as a mechanism for building up operating norms and values" (Grandori and Soda, 1995:194).

The socially defined predictor that allows for higher proximity between potential business associates operating in the studied transnational network appears to be trust based on endogenous characteristics. Higher trust is observed to lead to legitimacy and the conviction that reciprocal activities will be conducted satisfactorily. Trust has emerged as a commonly valued factor for forming collegial networks, and as a result is seen as a prerequisite for access to the inner business circle of the Diaspora. "This exclusive, or privileged, access to a much larger and richer pool of resources through special relationship with the rest of the system is a powerful proprietary advantage not readily available to domestic firms, regardless of their size" (Etemad, 2003:226).

Trust has been found to facilitate TEs in acquiring operational access to transnational networks and to assist them in identifying other entrepreneurial actors' capabilities. Close association with experienced parties who have already built trustworthiness on multiple grounds is anticipated to mitigate new actors' legitimacy scarcities (Yli-Renko et al, 2002). In that sense, it is logical that trust has been found to not only lead to the formation of long-term collaboration among network actors, but also to function as a shortcut to finding indirectly related and geographically scattered associates.

According to Ritter et al. (2004), business relationships could be perceived on an internal and external level, starting from the employees and moving out of the core of the company to customers, suppliers and competitors. They claim that companies rarely have control over the aforementioned relationships and that, although it is possible, integration through a network approach requires an integrated understanding of the social and business norms. This integrated understanding, in the case of Diasporas, is the socially defined trust factor, as it is employed by the majority of actors within the transnational network. By illustrating the stages of trust when forming collegial networks (Figure 8.2), the current study responds to Ritter et al.'s (2004) appeal for more research on the means by which companies successfully manage internal and external relationships.

Figure 8.2: Stages of trust when forming collegial networks



A major purpose of the study is to demonstrate how transnational entrepreneurs manage business embeddedness at interorganizational level. As discussed in Chapter 7, transnational entrepreneurs accomplish a certain degree of administration and control over their relationships through trust. By influencing their business network development and government through trust forces, TEs develop strong but highly adaptable interorganizational affiliations for prospective business opportunities and market monitoring. By successfully balancing these relationships, TEs are able to capitalize on external processes, including the acquisition of new information and knowledge, which requires linking with other parties through trust channels.

However, the collaboration at even the second stage illustrated in Figure 8.2 is still at a basic level (i.e. *information exchange*). While the *information exchange* is an imperative step on the path of accessing knowledge-intensive communities of practice within the business core, fulfilling the required personal characteristics alone (*shared education*, *business interests*, *industry of operation*, *specialization* and *professional experience*) does not lead to marketable knowledge exchange or enhanced mutual value creation. This suggest the existence of a black box – a condition for the operationalization of ties (i.e. tie finalization), which leads to translating the ties into actual resources that can facilitate to a novice entrepreneur's business development. The back box is represented by the X sign in Figure 8.2. The black box and its implications for tie finalization are further discussed in the following sections of this chapter.

The integration of business relationships on multiple levels through trust increases entrepreneurs' access to fresh information regarding market tendencies. This facilitates the generation of ideas and eases the decision whether the company's characteristics and current operations are sufficient for building further market capabilities. The trust relatedness to other organizational and institutional actors creates ties to complementary competencies, which, if combined with a firm's own capabilities, might result in new practices (Prashantham, 2008). When it comes to spanning business operations to a foreign market, of the ability to form ties to complementary information resources is the most substantial competence (Liesch and Knight, 1999).

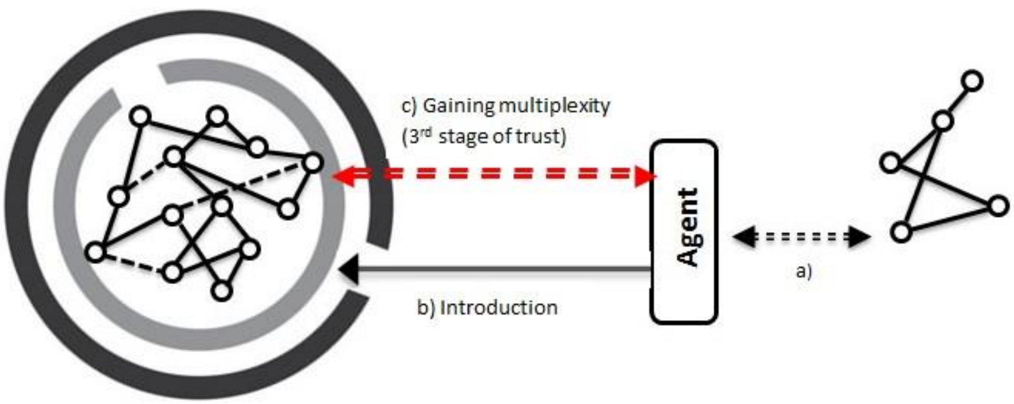
The collected data provides evidence for the role of the external social capital discussed by Ritter et al. (2004) in showing how trust acts as a key that unlocks, and allows the better extraction of, information and knowledge from network partners. The better detection and consolidation of valuable external and internal knowledge have been regarded as a good indicator of positive international performance (Manolova and Manev, 2004). Therefore, by achieving the integration of internal and external relationships through a network approach with embedded trust characteristics, TEs have found the way to become competitive participants in the business activities of the host country.

8.4 Opening up the Black Box

In addition to confirming the observations of Nonaka (1994) and Skyrme (2000) that there is a significant amount of tacit knowledge in established social networks, the fieldwork has revealed the complex system for extracting that tacit knowledge that TEs utilize. Exploring the actors' heterogeneity of linkages has deepened the understanding of how trust as a competitive capability is formed and how it facilitates the knowledge transfer.

There seems to be a consensus among researchers on social networks that prior ties introduce fresh ties (Gulati, 1995; Hallen, 2008; Hsu, 2007). But this assertion is not completely affirmed by the findings of this ethnographic research conducted on transnational networks. While the snowball-like engenderment of new ties has been acknowledged as a characteristic of the entrepreneurs' interorganizational network affiliation, the collected data indicates that this is not automatic; there is a *sine qua non* for this to take place. For the inclusion of an actor in the network to lead to the creation of new ties, that new member is expected to provide peripheral or external knowledge and business prospects to network incumbents as a precondition for attaining higher trust-based standing and deeper interorganizational embeddedness. It has been found that the capability of a transnational network member to sustain communication or attract a newcomer with established business activities promotes the multiplexity[9] of TEs' already existing ties within the Diaspora. Gaining multiplexity is a result of the realizing the third stage of trust, the one that allows tie finalization (i.e. transferring ties into resources).

Figure 8.3: Opening up the Black Box



Legend:

a) Establish and consolidate relationship with local actor/s. Formulates perceptions about the trustworthiness of the collective entity

b) Gradually introducing local actors to the outer culture circle and the inner business circle

c) Multiplexity – the ties get thicker, because there are additional layers, dimensions or "relational contents". Gaining multiplexity through the 3 modes of trust. The third mode of trust is achieved after a) & b) take place

[9] See legend

These contributions are so highly appreciated by members of the TE community because they dissolve the boundaries of the social organization and contribute to its ongoing adaptation and assimilation to the foreign country business environment. Transnational entrepreneurs use fresh outside ties to establish higher embeddedness to old, already existing, ones, with the former largely favored and considered as valuable for delivering focused knowledge for overcoming liabilities of newness and foreignness. In this manner, the proposition of the broad-spectrum social network research that earlier ties introduce new ties is enriched by considering an extra loop, supplementing the widely acknowledged linear association.

Given that crossrelational tasks that "focus on the simultaneous management of several relationships and management of interconnections among relations" tend to be overlooked in the existing literature (Ritter at al., 2004:180), the contribution of the current findings lies in contextualizing the crossrelational strategy of TEs, applied for the purpose of business embeddedness management at an interorganizational level.

Although some work on crossrelational tasks has been already done, "a major critique of these is that nearly all treat relationships as unconnected and derive strategies for the individual relationship and not for the network" (Ritter at al., 2004:180). Instead, the findings of the current research are based on a more integrated observation that explains how single actors' strategic orientation develops to create higher network embeddedness for reduction of liabilities of newness and foreignness.

8.5 Tie Finalization

While the above discussion offers assurance that the transnational network and the actor's embeddedness could function as a mechanism that assists TEs in their efforts to grow or develop capacities for realizing higher competitiveness, it is critical to determine what exactly allows firms to turn network ties into resources; that is, to *finalize* their ties. Offering insight in this direction is an important endeavor, which may support scholars' efforts to construct a well-rounded definition of tie finalization and scrutinize the microfoundations of this process.

The findings suggest that transnational members within the analyzed network value reciprocity in moments of need or difficulty, or when an opportunity has been spotted. Mutually beneficial exchange relationships emerge as an important consideration among members; for that reason anticipated reciprocity is considered a vital enabler of collaboration practices within the observed network. As a result, anticipated reciprocity is a crucial foundation of tie finalization. Nevertheless, it is unreasonable to assume that interrelatedness and social dependency might always work flawlessly and result in undisrupted tie finalization processes. The findings suggest the existence of such problems, which only accentuates the need for discussing how the process of network collaboration remains unobstructed in cases when the anticipated partner cannot reciprocate instantly due to lack of motivation or availability.

In general, the tendency to reciprocate offers implicit confirmation of the strength of the established ties between the transnational actors operating in a particular geographic setting (Nelson, 1989). In addition, the operation within a geographic hub is widely associated with maneuvering within a network of strong ties (McEvily and Zaheer, 1999). Not surprisingly, strong ties are positively associated with knowledge assimilation. The knowledge assimilation is eased by the shared values, social norms, cultural understanding, and cooperative norms, all of which add up to anticipated reciprocity and trust, enabling immersion in the other actors' spheres of business knowledge and proficiency (Pouder and St. John, 1996).

The strength of the ties and the fact that reciprocity cannot always take place lead us to the other major requirement for ties finalization to happen – redundancy of ties. Redundancy of ties, as defined by Granovetter (1973), refers to knowledge and information flows among strongly linked individuals, e.g. network members. Redundant ties are contacts that tap fundamentally similar informational domains, which results in information/knowledge availability from multiple alternative sources.

It is clear, both theoretically and empirically, that the constructed channel for acquiring assistance draws resources from a pool rich in homogeneity. This observation is confirmed by the characteristics of the strong network centered diaspora organization, where knowledge is often acquired from more than one network member. In line with Granovetter's work, one would expect strong (heavily redundant) ties to be associated with homogeneity of knowledge within the social grid (McEvily and Zaheer, 1999). Nevertheless, the knowledge available in the Diaspora is not static, which differentiates it from the common networks of strong ties and specifically geographic organizations. The redundancy, proceeding in parallel to the social capital bridging with peripheral actors or outsiders, develops not only an inflow of fresh information, but also and more importantly greater readiness to reciprocate. It can be concluded that bridging ties are necessary for achieving social mobility in the Diaspora organization and accessing its inner business circle.

Furthermore, the combination of bridging ties (weak ties across structural holes) and redundant strong ties emerges as a prerequisite for tie finalization to occur. These major conclusions from the study are crucial for answering the research question: *How do transnational entrepreneurs successfully realize and manage business embeddedness at the interorganizational level?*

The co-existence of the recognized characteristics (i.e. redundant strong ties and bridging ties), has been called an ideal configuration by Burt (1992). This configuration is hard to build or impose[10], but the transnational entrepreneurial network appears to be an organization that possesses an ideal configuration, as its actors are strongly linked and engage in bridging with outsiders for the purpose of even better embedding themselves with the Diaspora network. In the explored setting, both processes complement each other, which is not a common network configuration (McEvily and Zaheer, 1999).

Typically, a network configuration that consists of strong ties has organizational power that facilitates the implementation of an idea, but at the same time, due to the strong redundancy, it suffers from a limited ability to generate new ideas (Granovetter, 1973). On the other hand, an organization with abundant bridging ties (spanning structural holes) has the ability to breed ideas but has difficulty in operationalizing them.

The literature often discusses both strands as part of a tradeoff process, where the actors more often than not have an inclination towards a particular characteristic, rather than nurturing them in parallel for acquiring access to focused knowledge, opportunities and capabilities, in addition

[10] This is because of the following commonly observed discrepancy: the greater the degree of bridging ties in a network, the more difficult it is to integrate the diverse knowledge that stems from them. At the same time, the greater the degree of strong ties, the less diverse the knowledge in the network is.

to a powerful organizational apparatus for the incorporation of that same knowledge in projects or project alliances (Regans and McEvily (2003).

Balancing both new idea generation and idea implementation is not an easy process; however, the observed transnational entrepreneurs succeed in balancing them through reciprocating and realizing social capital bridging. “Such social engineering may be, for the time being at least, beyond the capabilities of most firms [...] To the extent that socially complex firm resources are not subject to such direct management, these resources are imperfectly imitable” (Barney, 1991:105). Therefore, the proper balance of realizing bridging ties and strong tie redundancy could be seen as a robust competitive advantage. Moreover, this competitive advantage is likely to persist because, as Barney (1991:105) notes:

> understanding that, say, an organizational culture with certain attributes of quality relations among managers can improve a firm’s efficiency and effectiveness does not necessarily imply that firms without these attributes can engage in systematic efforts to create them.

In this manner, by leveraging Diaspora institutions, TEs successfully establish operational social capital at an interiorganizational level. The quality and the durability of cooperation increases with the actors’ social position, which in turn is determined by the perception of their overall trustworthiness within the network (Inkpen and Tsang, 2005). Fostering interpersonal ties and forming collegial networks by climbing the observed stages of trust (Figure 8.2) not only increases the quality and the durability of cooperation but could also increase competitive advantage, as suggested by the data. The competitive advantage of transnational companies appears to be guarded by the social complexity that interpersonal and interorganizational ties involve. The high demand of trust characteristics necessary for realizing general communication exchange, information exchange and knowledge/resources exchange (as illustrated in Figure 8.2) makes interorganizational business embeddedness an imperfectly imitable resource.

As noted above, the context in which the studied TEs operate has been identified to meet Burt’s (1992) definition of an ideal configuration. It is difficult for outside competitors to disrupt the network and discontinue the flow of benefits from the relationships due to the complex social prerequisites observed that regulate the cooperative processes in the transnational network. Wit and Meyer (2004:296) have observed that “when competitive advantages are based in such complex social phenomena, the ability of other firms to imitate these resources is significantly constrained". In that way, the attainment of the three stages of trust, redundancy and reciprocity at the interorganizational level emerge as parts of a complex social/business phenomenon that empowers embedded actors to sustain competitive advantage.

8.6 Conclusion

This study has attempted to respond to the call by Money et al. (2010) for identifying the essential endogenous characteristics on which embeddedness candidates are evaluated. This, in turn, allows us to better scrutinize the behavior (in terms of granting embeddedness) of incumbent network members.

There appears to be a consensus among researchers on social networks that prior ties lead to fresh ties (Gulati, 1995; Hallen, 2008; Hsu, 2007). Nevertheless, the analyzed empirical data points to a condition that needs to be satisfied for this to happen. Network incumbents' expectancy that members bring peripheral or external knowledge and business prospects into the network implies a precondition for newcomers' attainment of higher trust standing and deeper interorganizational embeddedness. The findings assert that the capability of a transnational network member to sustain communication or attract a newcomer with established business activities helps him or her to move from the periphery of the network toward its core. Thus, the current research enriches existing social network research by adding an extra loop of contingency, supplementing the widely acknowledged but overly simple causal link between old ties and new ones.

Furthermore, that prerequisite for social mobility implies that strong ties (redundancy of information) and social capital bridging (reciprocity) co-exist. An emergent finding here is that stronger ties in conjunction with greater social capital bridging lead to quicker tie finalization. It seems natural that tie finalization flourishes in organizations that allow the co-existence of redundancy of relationships and social capital bridging. The co-existence of strong ties and bridging ties is what Burt (1992) calls an ideal configuration. This configuration is considered very rare, but the transnational entrepreneurial network appears to be an organization that possesses such an ideal configuration, as its actors are strongly linked and engage in bridging with outsiders for the purpose of even better embedding themselves within the Diaspora network. In the explored setting, we observe the rather uncommon situation in which both processes commonly complement each other.

CHAPTER NINE

Conclusions

9.1 Introduction

The main objectives of this thesis, as stated in Chapter 1, were to:

i. Investigate the process of formation and implementation of strategic decisions in transnational entrepreneurial firms.
ii. Explore and examine the Diaspora's role for diminishing liabilities of newness and foreignness.
iii. Explore and examine transnational entrepreneurs' network embeddedness strategies.

These objectives have been achieved through answering two research questions 1) How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness? and 2) How do transnational entrepreneurs successfully realize and manage business embeddedness at interorganizational level?

An in-depth ethnographic study of selected transnational companies has shown TEs' clear understanding of the importance of trust and its positive effect on business-to-business commercial or non-commercial activities and communication. TEs' involvement in Diaspora communities provides them with access to extensive communities of practice, which serve as fora for knowledge sharing and construction processes. The analysis shows that Diaspora networks are a favorable environment for business partner selection to flourish due to the high interrelatedness and social interdependency of their members.

The study has explored the infrastructure of the transnational network and examined how it enables TEs to gain access to information about the business activities of other members. Moreover, looking closely at the affiliations of diverse entrepreneurial actors has provided insight into the mechanisms that facilitate the quick location of business associates and the strategies that TEs employ for overcoming difficulties in market integration, as well as the usual shortage of knowledge and information that often accompanies small companies' internationalization activities.

This chapter examines the theoretical contribution offered in this research study. The chapter is structured as follows: we first discuss the theoretical implications of our answers to the two research questions, then proceed to the implications for practice and policy, and close with the emerging conclusions and the outlooks, as well as some related limitations and recommendations for future research.

9.2 Theoretical Implications

This section presents an overview of the contributions that stem from answering the employed research questions. The emerged contributions are believed to particularly applicable to several streams of research, all of which are outlined in two subsections below.

9.2.1 Contribution from question 1

How does participation in Diaspora networks help transnational entrepreneurs diminish liabilities of newness and foreignness?

The contribution made by answering the above research question lies in applying an important set of ideas from the embeddedness and network literatures to the question of how participation in Diaspora networks helps transnational entrepreneurs overcome liabilities of newness and foreignness.

It remains common for strategy research to rely exclusively on the resource-based perspective when attempting to explain differences in companies' survival and market success. By employing this view, most research explicates the observed differences and the occurring metamorphoses as largely emerging from capabilities generated from within the company (Barney, 1991). In addition to basing firms' success and survival primarily on internally created capabilities, "other economics-based perspectives explaining firm heterogeneity, implicitly suggest that firms are autonomous and atomistic in their pursuit of competitive advantage" (McEvily and Zaheer, 1999:1152). Although the current study does not aim to detract from the significance of possessing autonomous rare and inimitable internally generated resources, it seeks to contribute to the understanding of the influence of networks and their beneficial effect on companies' chances of survival by bringing externally generated capabilities into the picture and not relying exclusively on internally generated capabilities to explain how TEs overcome liabilities of newness and foreignness. It does so by paying close attention to the Diaspora's impact on transnational entrepreneurial companies experiencing resource constraints but successfully embedding themselves in network structures that facilitate the acquisition and development of external capabilities. As a result, the study highlights the significance of the resource orchestration approach to illuminating how a firm's Diaspora embeddedness stimulates enhanced competitive capabilities and increased chances of survival.

The observed benefits from actors' affiliation to a cluster confirm the effective knowledge distribution, absorption and development that occur within the network setting. The current analysis supports the results of a number of studies showing that the possession of social capital is directly related to the formation and procurement of knowledge, in the cases in which companies have the organizational competences to achieve interdependence with other parties (Nahapiet and Ghoshal, 1998; Yli-Renko et al., 2001). The addition that this study offers consists in a model that builds upon the resource orchestration theory (Sirmon et al., 2011). The findings also introduce an important sequential element to the resource orchestration approach. The study argues that companies determined to overcome the liabilities of newness and foreignness engage in a sequence of processes of *preparation*, *paradigm shift* and *initiation*, to develop a portfolio of knowledge and align it with the host-country environment.

The proposed model explains the enhanced organizational capabilities for overcoming LON and LOF that serve as a collective resource for companies within the transnational network. Through their involvement in Diaspora structures, TEs are able to capitalize on the available cross-national knowledge necessary for overcoming liabilities of newness and foreignness. The study throws light on the significance of the cognitive and the relational sides of social capital, as proposed by Uphoff (1999), for explaining the processes of integration (*preparation*, *paradigm shift*, and *initiation*). Embedding young TE companies in the Diaspora community allows them to embrace a cyclical strategic developmental orientation that promotes alignment to the host country's market environment through the synchronization of structuring and bundling processes. In that sense, the findings could be regarded as an advancement of the literature concerned with the difficulties that internationalizing companies experience (Cuervo-Cazurra et al., 2007; Madhok and Keyhani, 2012), as well as an addition to the discussion on the concept of liabilities of newness and foreignness. A central inference from the study is that when transnational entrepreneurial companies are experiencing the detrimental influences of these strands of liabilities, the resource orchestration opportunities made available within Diaspora communities must be carefully considered.

As noted above, another significant contribution of this study is filling the gap suggested by Drori, Honig and Wright regarding “the identification of the networks of TEs” (2009:1017). Although TEs are known to be related to institutional and cultural nuclei (Zilber, 2006), there is hardly any classified and systematic locus of the TEs’ operations. Given that locating TEs has remained a hard endeavor due to the specific characteristics that the entrepreneurial actors must meet in order to be defined as such, future research may benefit from accentuating that Diasporas have been found to be natural hubs for TEs operations. The Diaspora community is a particularly favorable setting for unfolding one’s capabilities and operations.

"Although networks have been underlying the theorizing on immigrant transnationalism as well as existing transnational entrepreneurship research, few studies have systematically examined the structure and implications of entrepreneurs’ networks across geographic boundaries" (Chen and Tan, 2009:1086). By concentrating on TEs’ operations within the locus of Diasporas, this study has attempted to contribute to filling the aforementioned gap and to conceptualize the significance of the Diaspora community structure for TEs’ strategy building and implementation processes. By paying close attention to the social strata that Diaspora networks provide, it brings together work on social capital and knowledge to explain the observed competitive advantage (value creation) that these structures make possible. The transnational network appears to be an effective mechanism for overcoming the operational weaknesses of new TE companies that result from their initiating operations in an unknown socio-economic environment.

9.2.2 Contribution from question 2

How do transnational entrepreneurs successfully realize and manage business embeddedness at the interorganizational level?

The contributions made in answering this question are situated in three streams of research: transnational entrepreneurship, social networks and strategic management.

For TE research, this study enriches the literature by examining the landscape of strategy development and implementation by transnational entrepreneurs. Moreover, the study suggests that going deeper into the knowledge sharing and construction processes within the social organizations TEs associate with is a worthwhile endeavor for those interested in how businesses overcome liabilities of newness and foreignness.

For social network research, the study contributes to understanding the process of building higher institutional embeddedness. In addition, it investigates the suggestion of the broad-spectrum social network research that prior ties lead to fresh ties (Gulati, 1995; Hsu, 2007; Hallen, 2008). This consensus position is rendered more nuanced by proposing an additional loop that precedes the generally accepted linear causal relationship between old and new ties.

The study's contribution to strategy research lies in showing that competitive capabilities can be attained by responding to specific characteristics of the network. Recognizing these characteristics and striving to attain what is widely valued by other network actors facilitates higher embeddedness through multilevel trust building. Due to the observation that the increased embeddedness is related to the acquisition of knowledge, the study enriches the resource-based view by showing that competitive capabilities can be a network-related phenomenon. Nevertheless, in line with the resource orchestration perspective, the current study recognizes the important role of the entrepreneurs who have been observed to engage in strategies necessary for the actual operationalization of the network. The further contributions of this study include illuminating the network prerequisite for trust building, as well as explicating subsequent tie finalization.

Contributions to TE literature

The study has directly benefited the limited literature on transnational entrepreneurship, as well as enhanced the understanding of the factors shaping TEs' strategic decision-making processes and the implementation of strategic actions through tie finalization. The mapping of the actors' strategic orientation and the charting of their development paths have facilitated the maturation of the TE field, which is still in its early stages when compared to other social science or business fields.

As Zucchella and Scabini (2007:57) recognize, the "field of entrepreneurship theory and research is extremely wide but not as deep […] and more research is needed especially in the organizational side of the matter". The current study has addressed precisely this organizational side of how transnational entrepreneurs manage to embed themselves in the transnational business context and the local communities.

Furthermore, the literature suffers from a deficit of focus on the characteristics, configuration and context of the TEs' success, which poses a substantial management challenge. However, hopefully this challenge has been at least partially overcome by the thorough empirical exploration of how transnational business actors build and apply strategies. The investigation of transnational entrepreneurship through a strategic management lens (i.e. resource orchestration) has contributed to understanding better the process of achieving social embeddedness and the factors influencing its utilization in the foreign market context. In addition, transnational entrepreneurial companies' behavior in Diaspora communities shows that networks not only constitute a mechanism for the transmission of social norms, but also serve as a forum for two processes that govern access to knowledge and information across companies engaged in coopetition[11] (Tsai, 2002). These processes, identified as trust building and social capital bridging, are the means for achieving coordination that allows members to operate successfully within the wider network. These processes are found to depend on an established system of reciprocity that encourages the co-existence of redundancy of relationships and social capital bridging.

[11] Neologism for cooperation and competition.

Contributions to Social Networks Literature

The current investigation and its findings contribute to the social network research by proposing a conceptual relation between network embeddedness and social capital bridging. In particular, after an examination of the transnational network characteristics, it is demonstrated that higher bridging competence is an imperative element, which enables transnational entrepreneurs to achieve trust and, as a result, benefit from improved embeddedness.

The research confirms that a central motivation for TEs to build robust network positions is the need to address their knowledge deficiencies. This finding is in harmony with the features of Diaspora organizations, which are acknowledged by Becerra-Fernandez and Sabherwal (2008) for their ability to incorporate diverse knowledge in their core operations. This study goes further by highlighting a substantial underexplored avenue through which embeddedness arises. The bridging ties construct emerging from this research differs in interesting ways from those in the existing literature, as it is shaped by TEs' participation in a geographically defined institution, whose features and pressures nurture redundancy/nonredundancy and strong/weak ties dynamics that redound to the benefit of network members.

Since crossrelational tasks, which "focus on the simultaneous management of several relationships and management of interconnections among relations", are neglected in the existing research (Ritter at al.; 2004:180), the positive impact of the findings is salient when contextualizing the crossrelational approach of transnational entrepreneurs, employed for business embeddedness coordination and execution at an interorganizational level. The limited research on crossrelational tasks has been criticized because "nearly all treat relationships as unconnected and derive strategies for the individual relationship and not for the network" (Ritter at al., 2004:180). By contrast, the findings of this study show how individuals rely on network embeddedness to reduce the liabilities of newness and foreignness.

Relating the bridging ties construct to redundancy/non-redundancy and strong/weak ties dynamics, as well as the actors' participation in a geographically bounded institution, allows u to build on the network theories of Burt (1992) and Granovetter (1973) and explore their explanatory power in the TE context and the Diaspora network. The bridging ties notion draws upon Granovetter's and Burt's network theories, which suggest that fresh information and knowledge are derived from weak ties and structural holes. McEvily and Zaheer (1999) have used this underpinning to hypothesize that regional institutions are rich in strong ties, which easily disseminate knowledge. This characteristic of strong ties creates an associated sense of risk that the involvement in regional organizations might lead to the leakage of knowledge that constitutes a competitive advantage.

Nevertheless, the results of the current study support the view that social resources are not perfectly imitable and therefore the stream of knowledge cannot extend to each participant, but only to actors who have an association to the benefactor. The strength of the association is dependent on trust, derived in turn from the attained bridging capabilities with external or peripheral ties and the subsequent social recognition. This constitutes a challenge to McEvily and Zaheer's (1999:1153) conclusion that companies that have the ability to bridge ties incline towards developing "competitive capabilities independent of the regional institution". In fact, the findings of the current study show that the established competitive capabilities are highly dependent on the regional institution, as the characteristics of that institution encourage the establishment of an advice network rich in bridging ties.

Another previous finding that has been challenged is that "firms with an advice network limited in bridging ties participate to a greater extent in regional institutions" (McEvily and Zaheer, 1999:1153). Our findings suggest that the prerequisite for achieving higher embeddedness in the regional institution is met only when an advice network rich in bridging with external or peripheral actors is attained. Therefore, higher bridging ties capabilities suggest a greater capacity to participate in the network.

The present study contributes to social network research by proposing a more thorough examination of the relationship between bridging ties and participation in a regional network institution. Although McEvily and Zaheer's (1999) research attempts to explain that complex multidimensional relationship, the literature could benefit if their findings are reexamined in a way that sets the boundaries of the environment for which they are functional and explanatory. Currently, there is a grey area that remains unexplored, which emerged when comparing the findings of the present research with those of previous studies. The divergence of the outcomes suggests that the phenomenon could be more strictly defined by taking into consideration the specificity of social network strata and their characteristics. This, as is evident from the current study, would reveal not only the hidden social network dynamics, but also the strategic processes that the actors cultivate in order to navigate successfully.

A feature of this research that is of particular interest is its portrayal a setting where strong redundant ties and bridging ties co-exist. This finding differs from previous postulations, found in network and structural hole research (Coleman, 1988; Burt, 1992), that the two are at odds. Due to the perceived portfolio of ties, the observed Diaspora network emerges as a network with an ideal configuration, something previously considered to be so rare as to be virtually nonexistent (Burt, 1992).

Contribution to Strategy Literature

The previous section has outlined the findings that add value to the network field. Network theory is commonly held to be descriptive, rather than analytical, due to "the assumption that it is hard to intentionally create beneficial network structures" (Chauvet et al., 2011:328). An important contribution of the current study to the strategy literature lies in overcoming this descriptiveness by analyzing the link between the characteristics of the network and how TEs strategize towards establishing and controlling the flows of knowledge resources within network channels.

Most previous studies have only concentrated on identifying the strength and the quality of the social ties within a network as a prerequisite for good business performance. Apart from the descriptive merits of such studies, "research is not clear whether such structures and qualities are to be considered as taken for granted, as the result of institutional and cultural forces, or if managerial action can plan an active role in transforming networks" (Chauvet et al. 2009:328). The uniqueness of the current study lies in its exploration of managerial actions and strategies for network development and reconfiguration, which illuminates the agency of the TEs, conclusively rejecting any passivity in the way they operate within the network, thus responding to the call for more depth within the notion of networking behavior (Forret and Dougherty, 2004; Treadway et al., 2010), as well as for "actionability" within network research (Chauvet et al., 2011). Additionally, this exploration of agency allows this study to make a contribution not only to network research, but also to strategy research, by showing that transnational entrepreneurs can and do influence the network for the purpose of achieving professional goals.

In addition, the study has explored the interaction between formal organizational structures (the companies) and an informal one (the Diaspora community), which meets the need for more insight on the interplay between formal and informal organization identified by Soda and Zaheer (2012). According to Gulati and Puranam (2009), the combination of formal and informal structures within the companies' operations suggests the potential capability for engaging in successful coopetition practices.

Reciprocity is cherished in moments of necessity, difficulty, or when an opportunity has been noticed, and has been shown to be the cornerstone of the network. Nevertheless, it is sensible to assume that interrelatedness and social dependency do not always work perfectly and result in undisrupted tie finalization. The fact that reciprocity cannot always take place introduces the other major requirement for tie finalization to happen – redundancy of ties (relationships). The redundancy of relationships helps finalization to remain unobstructed in cases when the anticipated actor cannot reciprocate instantly due to lack of motivation or availability.

Although earlier research has conceded that companies' competences extend beyond internally created values and could also be derived externally through linkages rich in information and knowledge (Zaheer and Zaheer, 1997), more research is needed about, how to achieve a favorable configuration of linkages that could promote the development of competitive capabilities. The current study extends the academic literature by providing an avenue for better understanding these dynamics, while offering managers strategic guidelines for increasing actors' embeddedness in regional, social or professional institutions.

9.3 Practice Implications

We know little about how firms cope with the liabilities of newness and foreignness. Most of what has been done has focused on how companies develop or implement company-specific tangible assets (e.g. technology innovations) that compensate for the liabilities they experience (Caves, 1971; Hymer, 1976; Zaheer, 1995), or how tangible assets facilitate building strong firm capabilities in the host country (e.g. purchase of knowledge, technological innovations) (Barnard, 2010). Providing insight on this subject, which can hopefully be easily grasped and implemented by other transnational entrepreneurs, makes the current study highly practical.

The observed benefits from the actor's affiliation to a Diaspora confirm the effective knowledge distribution, absorption and development that occur within the network setting. The exploration of TEs' embeddedness within such networks led to the formulation of a cyclical integration model (Figure 6.2) of their activities and engagement with the host country market environment. This model is based on the idea that the modern understanding of the LON and LOF concepts should take into account the level of reflexivity that the business entities possess. Reflexivity in this case is regarded as the ability of a business actor to identify and act upon the available socialization dynamics in order to engage in social mobility and integrate in the social/business structures of the host environment.

For example, an agent or an entity with high reflexivity could be argued to possess higher adaptive capacity and better absorb the norms and codes of conduct in the organizational structure. The higher reflexivity would empower the business entity to embrace "procedures, norms, rules, and forms" from the new environment, which could establish a suitable organizational code of action for approaching the host country knowledge wells (March, 1991:73). On the other hand, entities with low social reflexivity are very likely to experience more difficulties in achieving social mobility and integration.

For that reason, promoting social reflexivity in entrepreneurs' attempts to embed themselves in a Diaspora environment and then navigate in this environment is an avenue from which practice can benefit. Moreover, the observed actors' engagement could be replicated by entrepreneurs who share the opportunity to engage in a Diaspora organization, which as a result may constitute a significant contribution to companies trying to overcome the liabilities resultant from their engagement with a foreign market.

The research presented here introduces a solid foundation for more efficient transnational practice. This has been achieved by proposing a theoretical, and arguably, practical model of how young TE companies take advantage of the social and cultural networks available in the host country. As a result, the findings could be regarded as an advancement of the literature concerned with the difficulties that internationalizing companies experience (Cuervo-Cazurra et al., 2007; Madhok and Keyhani, 2012) as well as an addition to the discussion of the liabilities of newness and foreignness.

9.4 Policy implications

The importance of immigrants' engagement in the actual business environments of any host country has increased substantially. Nowadays, the inflow of transnational communities has been progressively associated with an inflow of new knowledge, perspectives and talents that often lead to opportunity recognition and exploitation. In this regard, it does not come as a surprise that more than 40 percent of the 2010 Fortune 500 companies were established by immigrants or their children (Partnership for a New American Economy, 2011).

Nevertheless, because of the challenges posed by the liabilities of foreignness and newness, transnational entrepreneurs need to learn and adapt quickly in the host-country environment or bear significant financial loss. Time is a crucial factor when it comes to international business activities. For that reason, in order to respond quickly to the market needs, some TEs have been observed to attempt to integrate their partial knowledge with that of other actors within a Diaspora setting.

The current study has reflected on the positive entrepreneurial outcomes that stem from the participants' Diaspora engagement. The Diaspora has been recognized as a setting that promotes knowledge integration, generation and development. This decentralized structure can assist entrepreneurs in their efforts to learn the business environment and achieve fruitful market positioning, which might be of interest for policymakers.

Responding to market pressures is difficult, especially when it involves changing multiple aspects of a firm's operations. The difficulty lies in the diverse aptitudes for change that are not only company specific but also process specific. The more processes need to be adopted and adapted, the more entrepreneurial and managerial efforts are required for this, which poses a great burden on companies' governance, as it creates scarcity of available, and already limited, acumen. For that reason, anything that eases market integration is particularly important, and it seems a sound idea for policymakers to recognize Diasporas' role for supporting the objectives of national chambers of commerce.

Moreover, designating Diasporas as incubators specialized in supporting the transition of business actors from one market environment to another will raise transnational actors' awareness of the potential benefits that operating in the locus of a Diaspora network provides. In addition, motivating more entrepreneurs to seek association with Diaspora networks is likely to diversify the available in-house knowledge, as well as reduce opportunism due to the implementation of stricter embeddedness norms. These effects are only likely to further enhance the Diaspora's contribution to TEs' activities and their companies' competitiveness.

9.5 Conclusion and Outlook

This study does not question the important role of possessing autonomous, rare and inimitable internally generated resources for withstanding LON and LOF, but rather seeks to contribute to the understanding of the influence of embeddedness in networks and its beneficial effect on companies' chances of survival. It does so by showing how transnational entrepreneurial companies experiencing resource constraints successfully embed themselves in Diaspora communities that facilitate the acquisition and the development of external capabilities. As a result, it highlights the significance of the resource orchestration approach to illuminating how a firm's Diaspora embeddedness stimulates enhanced competitive capabilities and increased chances of survival.

The analysis supports the results of a number of studies showing that the possession of social capital is directly related to the formation and acquisition of knowledge, in the cases in which companies have the organizational competences to achieve interdependence with other parties (Nahapiet and Ghoshal, 1998; Yli-Renko et al., 2001). The addition here consists in, first, disentangling entrepreneurs' embeddedness strategies for becoming an actual part of the Diaspora network, and second, developing a model that builds upon the resource orchestration theory (Sirmon et al., 2011). The presented model introduces an important sequential element to the resource orchestration approach. It is argued that companies determined to diminish liabilities of newness and foreignness engage in the processes of *preparation*, *paradigm shift* and *initiation*, which are the observed sequences of developing a portfolio of knowledge and aligning it with the host-country environment.

By showing a different path of resource management with an integrated sequential element, the study presents an addition, specifically relevant to explaining the processes of diminishing the mentioned strands of liabilities. This has resulted in strengthening the resource orchestration model's explanatory power and broadening its research application.

9.5.1 Limitations of the study

Several caveats are in order. First, the replicability of this study's findings in other Diaspora settings is limited due to the nature of the employed methodology. The natural setting in which ethnography takes place impedes the control over external variables, which might hinder replication. Future research may address this limitation by testing the reliability of the findings, and in particular the relevance of the proposed integration framework in other contexts.

Second, because of data limitations, the examined companies are ones that attempt to reduce LON and LOF, rather than offset them by the possession of an easily commercializable tangible resource (e.g. technological innovation). However, it is possible that entrepreneurial companies in possession of such resources still strive to reduce LON and LOF. In that sense, exploring the interplay between liabilities offsetting and reduction is a potentially interesting avenue for additional future research.

Overall, this study is believed to identify some important insight, which might provide entrepreneurs, as well as policy makers, with key implications for strategy development. Nevertheless, this study only outlines the initial steps into this research domain that seems so intriguing for the international business field. Therefore, I hope to motivate the development of further research intending to reveal other mechanisms for reducing LON and LOF. Some of the possible paths for pursuing both the liabilities reduction research and the network embeddedness one are outlined below.

9.5.2 Recommendation for further research

As implied above, the stated limitations of the study could inspire the development of further research aimed at testing the current findings in various Diaspora settings. Transferring the findings to other settings and empirically testing them is likely to facilitate the identification of additional external variables. A more extensive bundle of such variables will play an important role in both crystalizing entrepreneurs' embeddedness strategies and understanding the ways TEs develop a portfolio of knowledge and align it with the host-country environment. This is likely to increase the currently achieved levels of reliability of the study and might provide deeper insight into the relational mechanisms of joining the Diaspora network and the crossrelational approaches of navigating within it.

A promising direction for further research is the possibility to draw insight for IE research from the study of TEs. This would not be the first time transnational entrepreneurship was used to conceptualize IE. Henry Wai-chung Yeung (2004:73) proposes “the concept of ‘transnational entrepreneurship’ as the key to unite two separate fields of management studies: entrepreneurship research and international business research”. In fact, IE is the intersection of IB and entrepreneurship research (McDougall and Oviatt, 2000).

Nevertheless, such potential cross-fertilization has not been realized to the extent possible because the IE field remains fragmented and full of knowledge insufficiencies and theoretical inconsistencies (Keupp and Gassmann, 2009). Arriving at an equivalent theoretical framework (i.e. one that encompasses IB and entrepreneurship) is challenging because of the need to “conceptualize IE as a dynamic process that evolves over time” (Keupp and Gassmann, 2009:602; Coviello, 2006; Mathews and Zander, 2007).

Earlier studies claim that focusing on entrepreneurial processes unfolding in a host environment might provide an important insight for bridging the IB and entrepreneurship frameworks (Shane and Venkataraman, 2000; Etemad and Lee, 2003). However, there is little IE research that draws on the study of TEs, whose entrepreneurial processes also unfold in a host environment, for insight. For example, in a review article “theoretically mapping and assessing the intellectual territory” of the IE field, transnational entrepreneurship has been purposefully excluded (Jones et al., 2011:632). This, however, may hinder the construction of the desired “intersecting” theoretical framework capable of serving both IB and entrepreneurship.

Another opportunity for the development of auxiliary research that could take various directions stems from the current findings. Having laid the foundations of TEs’ strategies for reducing liabilities as opposed to offsetting them, the findings of the current study can serve as the basis for exploring the interplay between liability offsetting and reduction. Finding the optimal combination of both processes may allow entrepreneurial companies to achieve higher overall efficiency stemming from two particular areas.

First, developing the theoretical premises for establishing equilibrium may be particularly important for internationalizing companies, which experience deficiency of available managerial acumen. Managerial acumen is imperative for liabilities reduction, while resources are crucial for offsetting liabilities. Finding the balance will allow TEs to capitalize on available managerial acumen, and therefore reduce liabilities, while preventing ineffectiveness due to managerial overload.

Second, the optimal combination of both processes may have implications for the speed of entry in a foreign market. It is known that time is a crucial factor when it comes to internationalization. For that reason, reducing some liabilities through being reflexive in the new environment and offsetting other liabilities might be a potentially interesting avenue for additional future research.

Another task that future research might undertake is achieving higher explanatory power regarding the strategies transnational entrepreneurs operating within the locus of a Diaspora network employ to relate to native entrepreneurs and business professionals. In the current study it has been found that bridging such outside ties into the Diaspora facilitates the acquisition of incumbents' trust. The role of outside ties is fundamental for realizing functional embeddedness within the business circle of the Diaspora. For that reason, scrutinizing the processes of establishing relations with such parties, as well as the nature of the mutually beneficial prospects, will be an important addition. Such research will shed further light on the course of forming trust relationships.

In conclusion, it is considered that the study has achieved its objectives of 1) investigating the process of formation and implementation of strategic decisions in transnational entrepreneurial firms; 2) exploring and examining the Diaspora's role for diminishing liabilities of newness and foreignness; and 3) examining transnational entrepreneurs' network embeddedness strategies. At the same time, the study has shed more light on the need for further empirical and conceptual developments when transnational entrepreneurship is concerned. The current study hopes to provoke the interest of researchers in fully disentangling TE's embeddedness and survival strategies and operations.

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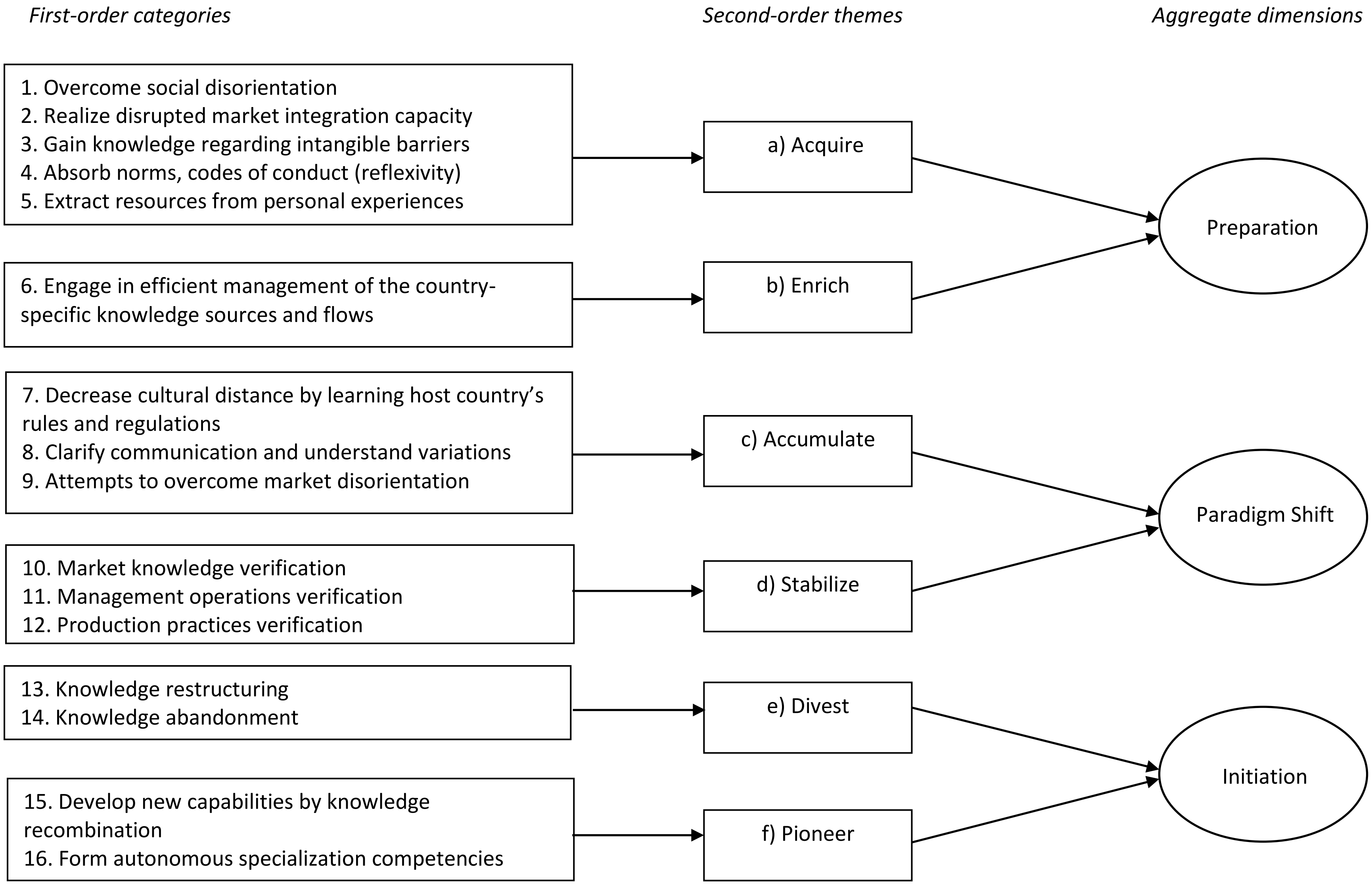
11. APPENDICES

Appendix A.: Data Structure - Processual path to diminishing LON & LOF



Appendix A.2: Dimensions, themes, categories and data

Second-order themes and first-order categories		Representative Data
Overarching dimension: *Preparation* a) *Acquire*		
1. Overcome social disorientation	1.1	Sometimes it takes time to understand what is the value of such an [Diaspora] involvement. It is good to get together with likeminded individuals and just communicate. That helps the preservation of the national identity but also facilitates other processes. I have worked with many of the people I meet in such events. It is amazing how small the world is. It has happened, several times, that I talk to somebody and I find out the brother or sister of that person is working for a logistics company, [...] all these contacts come in handy. (Entrepreneur A)
	1.2	These [Diaspora] acquaintances oriented me in the business environment and helped me understand the business regulations. (Entrepreneur C)
2. Realize disrupted market integration capacity	2.1	What many immigrant entrepreneurs find difficult to realize before they start business is that even if you have a clear plan of action that will bring value to the company and the stakeholders in this country [the UK], being a foreigner is a significant barrier and challenges the survival of even the most altruistic business venture. Everyone should be clear with the risks and consider them. (Entrepreneur K)
	2.2	Although native entrepreneurs in most cases have higher access to financial support and other kinds of resources, you will be surprised how many of them do not exploit what they have around themselves. We, on the other hand, know that we are disadvantaged, but that does not discourage us. (Entrepreneur H)
3. Gain knowledge regarding intangible barriers	3.1	What many immigrant entrepreneurs find difficult to realize before they start business is that even if you have a clear plan of action that will bring value to the company and the stakeholders in this country [the UK], being a foreigner is a significant barrier and challenges the survival of even the most altruistic business venture. Everyone should be clear with the risks and consider them. (Entrepreneur K)

	3.2	In the market economy, everyone can trade in order to acquire what he or she does not have. Wise people even get from others what they cannot do perfectly themselves. Advice about customer relations, marketing, know-how, efficiency, everything can be found. Not knowing about something is no longer an excuse. There are always ways to know or to get knowledge. I think this is important and not always too expensive. The only difference between expensive and cheap information is the quality, but there is some value in both kinds. (Entrepreneur D)
4. Absorb norms, codes of conduct (reflexivity)	4.1	I let them know that I am a team player and they can expect reciprocal activities from me. It is important to be supportive when they need it; this shows that I do not forget, which will be helpful in the future. (Entrepreneur C)
	4.2	The thing that helped me survive is that I never thought I know everything and I am the best businessperson in the world. On the contrary, I knew that there is so much to learn, both for the business and for the environment in the UK. I relied heavily on the people who came to the UK earlier than me, they knew more and I wanted to learn from them. (Entrepreneur A)
5. Extract resources from personal experience	5.1	What is more, the collaboration within the Diaspora and the interaction with other members help me not only to acquire high quality new knowledge at a fraction of its value, but also to achieve better use of the available knowledge. New use of already existing information is as valuable as new information, with the only difference that I am less dependent on others, as I carry it with me when crossing borders. [...] For that reason, it is important to link with others who have a different point of view and might enrich the idea generation process by either spotting a new application of my knowledge or helping me to build on what I have picked up. (Entrepreneur D)
b) *Enrich* 6. Engage in efficient management of the country-specific knowledge sources and flows	6.1	Individuals, when alone, are limited in their reasoning, I am not an exception. I need cooperation for some matters. [...] Many companies experience difficulties at the beginning, but I think […] establishing a company is like a marathon, and the finish line should be the time when the company opens and starts operating. If you want to participate in a marathon, you will not wait until the last moment and start preparing immediately before the race. It takes a lot of hard work, planning, consideration and talking to the right people. (Entrepreneur E)

6.2 What helps to get some kind of information is information trade. I do not only request, I am quite active in providing to others. Actually, if I want to ask a person in a very indirect, roundabout way about some opportunity I will often send him something that he or his company might be interested in. Then, two weeks later, I will get back to this person to ask about what interests me. This is a very unobtrusive way to communicate as you are offering something in advance rather than just demanding and expecting a positive outcome. (Entrepreneur C)

Overarching dimension:

Paradigm shift

c) *Accumulate*

7. Decrease cultural distance by learning host country's rules and regulations

7.1 It is a never-ending cycle, and in order to be prepared we need to know what is relevant to the specific environment; this helps in determining how to act. Our connections and daily communication help in knowing new tendencies, changes in the business environment, changes in the legal environment that subsequently influence the business. In many cases, reflecting on personal acquaintances [within the Diaspora] leads to gaining competences and achieving higher local relevance. (Entrepreneur I)

8. Clarify communication and understand variations

8.1 What I have in common with other entrepreneurs in the Diaspora is the vision that cooperation is beneficial. It is not only beneficial for my own initiatives, but also for the business of other partners. I admit that it took me some time to realize and start appreciating the functionality of that idea. I tried hard to understand what is going on here and how business is conducted. Nobody tells you that sharing is actually good in the long run. Of course, you get some signs from people, but during the very first steps you are on your own and getting your orientation [perspective] right is crucial. (Entrepreneur K)

8.2 It was not always easy to sustain the idea that sharing knowledge with others is mutually beneficial. There were moments when I have been asking myself whether I should concentrate on my own needs before thinking of the needs of others. Nevertheless, once you start doing business in this manner, the collaboration with others teaches you with whom it is okay to share and what can be expected in return. This allows you to expand on the idea of cooperation, while gradually reducing the accompanying risk of exploitation. (Entrepreneur K)

9. Attempts to overcome market disorientation	9.1 We often talk with the members of the British Bulgarian Chamber of Commerce. The members of the organization are extremely experienced. [...] These are people who have shown strengths and capabilities that the market has accepted. Most of them are experts in doing business and they can help with direct advice and share stories about what has happened when a company engaged a particular strategy. Moreover, they have many business contacts with people from various spheres, which can also benefit us as information does not flow directly. Talking with members enhances referrals and linking to other parties, which creates a significant mechanism for transferring business ideas and facilitates problem solving. (Entrepreneur L)
d) *Stabilize*	
10. Market knowledge verification	10.1 There are normal evolutionary forces that have changed what customers want and what companies offer. As long as that pattern is occurring the business environment will continue to change. [...] What differs is the efforts of the business owners to be ahead of their competitors in order to meet the quickly changing needs of the markets. Due to this constant competition between owners, we have enough work to assist them to reach their full potential and aspirations, but also we have enough to learn. [...] Reflecting on personal acquaintances leads to gaining competences and achieving higher local relevance. (Entrepreneur I)
11. Management operations verification	11.1 There are owners of wineries, importers, retailers […] overall people who are related to wine business in different ways, so you probably understand the importance of being close to that group of people. The association helps with a lot of information. They more or less teach us how to overcome issues related to bureaucracy when producing or exporting/importing, but also how to take advantage of the foreign markets opportunities and how to promote Bulgarian wine and our companies' services. The whole purpose of the organization is to improve the image of the Bulgarian wine... (Entrepreneur H)
	11.2 If we did not know how to plant our roots deep inside the business environment and extract all the nutrients necessary for business enhancement and growth, that would have resulted in the poorest business performance. (Entrepreneur I)

12. Production practices verification	12.1	I discuss relatively often with some people I know through my involvement with the Bulgarian community here. They are closer to the market here, so it is easier to talk to them rather than first explaining the characteristics of the market to somebody else. This gives new perspectives, gives unbiased opinions. That word of mouth communication expands my knowledge about what clients want and how can I serve their needs better, because customers are different in this country. (Entrepreneur A)
	12.2	I have not heard about the recent failure of a similar-sized company in my sector, but probably there is. If a consulting company fails and I have not heard about that, then most probably the reason for its failure is poor external communication. (Entrepreneur C)
Overarching dimension: Initiation e) *Divest* 13. Knowledge restructuring	13.1	It can even be discouraging at times. You spend time to adapt, prepare, meet the right people and learn about what it is to succeed here and very often only to understand that what you have is not enough, or even worse, it cannot work here although you have been told it should. Then you either quit or shake off the fear thoughts along with the things that simply do not work. *Prompt*: Can you provide an example? One approach that did not quite work is the idea for having a sample portfolio of our previous works to highlight our marketing services. Small local companies who we regard as imperative clients were simply not buying it. It was not the culture this time, we already knew the environment. Then a fellow business owner [compatriot] suggested that small companies probably feared that we are using the sample portfolio for everyone so they do not get anything different from their competitors. Both of us left that practice and did something risky. My company started giving out personalized marketing advice to prospective clients and told them that no matter whether they end up using our services they can use the materials free of charge because we created them for their companies. This just works better for small companies in his and my industry sectors. We gained the recognition of these business owners; some expressed desire to work with us on more significant projects, or whole campaigns. This is where the business comes from. Others accepted the gift but did not want to engage in business with us. However, these people became more helpful later. (Entrepreneur B)

14. Knowledge abandonment	14.1	Only after disposing of the illusion that what we know from before can make us competitive here, can we really concentrate on developing what can serve us well. Once I realized that, my company became more active participant in the market. (Entrepreneur L)
f) *Pioneer*		
15. Develop new capabilities by knowledge recombination	15.1	We [Diaspora members] are one team and we rely on each other's unique knowledge and experience. That combination of capabilities results in some very applicable ideas that help us not only finish a project but develop as an innovative company. (Entrepreneur C)
16. Form autonomous specialization competencies	16.1	If we do not possess the right level of expertise, we go to the market to buy some. Literally, we buy knowledge and proficiency. We cannot afford to keep a person who we need only twice a year. Moreover, the people we are looking for are experts in their fields and they are expensive. Expertise has always been highly valued so we purchase only part of the time of that specialist and build up the rest of the project based on the ideas and information we have acquired or that we possess in-house. Such free agent consultants often work for four or even five companies, advising them. It is inefficient, too expensive for a single company to afford such high ranked specialists, but we still benefit from the innovative thinking of such acknowledged experts rather than competing with them. In that way we can provide our clients with solutions for their business, solutions that would have cost them a fortune if they were to hire all the narrow experts that we communicate with. (Entrepreneur I)

Appendix A.3: Questions for shortlisting appropriate participants

1. What is your nationality?
1. Bulgarian 2. Dual (+Bulgarian) 2. Other
2. Do you define your business as transnational?
1. No 2. Somewhat 3. Very much 4. Do not know
3. How do you define your cultural orientation?
1. Acculturated 2. Bicultural 3. Multicultural 4. Preserved original ethnicity 5. Cannot say
4. How many times have you traveled abroad for business in the last 12 months?
1. Never 2. Once 3. Two to five times 4. Six to ten times 5. Eleven to fifteen times 6. Sixteen to twenty times 7. More than twenty times
5. How many times have you traveled to your home country for the last 12 months?
1. Never 2. Once 3. Two to five times 4. Six to ten times 5. Eleven to fifteen times 6. Sixteen to twenty times 7. More than twenty times
6. To what degree do you remain affiliated to your home country?
1. Not at all 2. Little affiliation 3. Affiliated 4. Very affiliated

7. Do you participate in one or more organizations with links to your home country?
1. No 2. Yes – 1 - 2 organizations/clubs 3. Yes – 3 - 5 organizations/clubs 4. Yes – more than 5 organizations/clubs
8. If you do, to what degree do you participate in organizations with links to your home country?
1. Never 2. Rarely 3. Often 4. Regularly 5. Actively 6. Proactively 7. N/A
9. What is the purpose of your participation in such organizations? *(more than one may apply)*
1. Leisure 2. Social contacts 3. Long-term plans 4. Business perspectives 5. Exchange of ideas and information 6. Personal interests 7. Professional interests 8. Maintain culture, nationalism 9. Other
10. How many people do you employ?
1. Less than 5 2. 5 to 10 3. 11 to 20 4. 21 to 30 5. 31 to 40 6. 41 to 50 7. 51 to 70 8. 71 to 100 9. More than 100
11. Have you hired compatriots from the organizations/social circle you engage in?
1. Yes 2. No 3. Do not know

12. What are the main reasons you have hired compatriots? *(more than one may apply)*
1. They are more skillful **2. They know the business orientation better** **3. They can interact with a broader range of people** **4. They serve as a bridge to other groups and opportunities** **5. To gain prominence/image in the transnational social circle** **6. To improve their social and financial standing** **7. They are part of my social circle** **8. Other** **9. N/A**
13. Approximately how many of your clients live in the UK?
1. None **2. Less than 10%** **3. 10% to 20%** **4. 21% to 30%** **5. 31% to 40%** **6. 41% to 60%** **7. 61% to 80%** **8. 81% to 90%** **9. 91% to 100%**
14. Approximately how many of your clients live in your home country?
1. None **2. Less than 10%** **3. 10% to 20%** **4. 21% to 30%** **5. 31% to 40%** **6. 41% to 60%** **7. 61% to 80%** **8. 81% to 90%** **9. 91% to 100%**
15. Approximately how many of your clients live in other foreign countries?
1. None **2. Less than 10%** **3. 10% to 20%** **4. 21% to 30%** **5. 31% to 40%** **6. 41% to 60%** **7. 61% to 80%** **8. 81% to 90%** **9. 91% to 100%**

16. Approximately how many of your clients living in host countries are of your own nationality/cultural background?
1. None 2. Less than 10% 3. 10% to 20% 4. 21% to 30% 5. 31% to 40% 6. 41% to 60% 7. 61% to 80% 8. 81% to 90% 9. 91% to 100%
17. Do you import from your home country?
1. Yes 2. No
18. Do you export to your home country?
1. Yes 2. No
19. How frequently do you conduct business communications with home country?
1. Every day 2. At least once a week 3. At least once a month 4. At least once every two months 5. At least once every three months 6. At least once a year or less
20. What type of ownership does your business have?
1. Individual 2. Family 3. Partnership 4. Other
21. The lack of which of the following would have resulted in the poorest business performance of your company? *(more than one may apply)*
1. Social contacts in the host country 2. Social contacts in the home country 3. Technology 4. Access to information 5. Ethnic market in the host country 6. Other

22. The abundance in which of the following factors would have resulted in the better business performance of your company? ***(more than one may apply)***
1. Social contacts in the host country **2. Social contacts in the home country** **3. Technology** **4. Access to information** **5. Ethnic market in the host country** **6. Other**
23. Are you in the orbit of ethnic social organizations in the host country?
1. Yes **2. No** **3. Somewhat** **4. I cannot say**
24. What are the potential benefits of being in the orbit of ethnic social organizations? ***(more than one may apply)***
1 Economic support **2 Better business opportunities** **3 Improves group's cohesion** **4. Raises self-status** **5. Improves the image of the company** **6. Raises social support prospects** **7. Maintains culture, nationalism** **8. Other** **9. N/A**

Appendix A.4: Questionnaire with potential prompt questions

1. Would you tell me about your background and your life before the opening of the company?

2. What/who influenced your decision to establish this particular kind of venture?

3. Do you think that the business environment in the home or the host country has changed since the establishment of your company?

- Prompt 1: In what way, if any, it has affected your company and your decision-making?

4. How many business entities do you currently own/manage, and are there any you have owned/managed in the past that you are no longer involved with in that capacity?

- Prompt 1: How did the experience from the first one help you in the development of the other entities?
- Prompt 2: Did you/do you use the contacts that you have built for the first entity for any of the operations of the other entities?
- Prompt 3: How many firms have you founded / been involved in the founding of?

5. Why did you establish your business in the UK instead of in your home country?

6. Do you remain affiliated to your home country?

- Prompt 1: If yes, how? If no, why?

7. Do you participate in one or more organizations with links to your home country or another country in which you conduct business?

- Prompt 1: If you do, to what degree do you participate in organizations with links to your home country?
- Prompt 2: What is the purpose of your participation in such organizations?

8. Have you hired compatriots from the organizations/social circle you engage in?

- Prompt 1: What are the main reasons you have hired compatriots?

9. Who is your primary targeted market, the home country or the host country?

- Prompt 1: If it is the host country, is it your compatriots living in the host country or the native population of the host country?

10. Do you conduct business communications with the home country, and if you do, how frequently?

- Prompt 1: How do you conduct business communication?
- Prompt 2: Why do you conduct business communication in that manner? – any advantages and disadvantages

11. Have you achieved company growth? Do you aim at company growth or not?

- Prompt 1: What are the reasons for your company's growth?

12. What are the common types of business problems that you face?

13. What do you recognize as an area for improvement in your business?

- Prompt 1: How do you recognize an area for improvement in your business?

14. Who do you discuss your business issues with?

- Prompt 1: Do you discuss business issues with people from the host or the home country?
- Prompt 2: Do you discuss business issues with a particular organization or its members?
- Prompt 3: How does that help?

15. How do you realize internal business communication?

- Prompt 1: How do you realize external business communication?
- Prompt 2: How do you realize transnational business communication?

16. How do you generate ideas that support your business activities?

- Prompt 1: Example

17. How do you generate business solutions for particular problems that your business experiences?

- Prompt 1: Example

18. To what extent do/did you experience problems due to the newness of your company in the starting period?

- Prompt 1: What is the most common set of problems that your company's newness brought?
- Prompt 2: How do/did you overcome these newness problems, if any?

19. To what extent do/did you experience problems due to being a foreign entrepreneur in the host country?

- Prompt 1: What is the most common set of problems that your company's foreignness brought?
- Prompt 2: How do/did you overcome these problems resulting from foreignness?

20. How important is decision-support information (e. g. information about potential risks and opportunities) for your business success?

- Prompt 1: How important is the speed of distributing such information for your success?
- Prompt 2: How do you translate information into actions?
- Prompt 3: Do you relate higher access to information to higher competitiveness?
- Prompt 4: Are you trying to build links to information sources?
- Prompt 5: Are you trying to increase/strengthen already existing links to information sources? How?
- Prompt 6: In what aspects of your business does information play a significant role?

21. In what stage of your business development have you started thinking about access to relevant knowledge (experience or theoretical and practical understanding of the industry in which you operate and how you can maneuver in it)?

- Prompt 1: What are the major impediments to relevant knowledge?
- Prompt 2: How do you overcome these knowledge impediments?

22. Do you experience competition for such information?

- Prompt 1: Who are your major information competitors?
- Prompt 2: How do you compete/attempt to compete for information?
- Prompt 3: What are the tools or techniques that help you gather relevant information and evaluate business options?

23. Whose survival prospects do you think are higher – these of native entrepreneurial companies or these of entrepreneurs like you, coming from abroad?

- Prompt 1: Why do you think they go under less/more often?
- Prompt 2: How are you similar/different, given that you have survived?
- Prompt 3: From your perspective, what constitutes the main difference between native entrepreneurs and foreigners who come to conduct business in the UK?

24. Have you experienced the bankruptcy of similar-sized native entrepreneurial companies in your industry/city?

- Prompt 1: At what stage do they fail most often?
- Prompt 2: Why did they fail?
- Prompt 3: Were they competitors?

25. Have you experienced the bankruptcy of similar-sized transnational entrepreneurial companies in your industry/city?

- Prompt 1: At what stage do they fail most often?
- Prompt 2: Why did they fail?
- Prompt 3: Were they competitors?

26. What has increased the chances of survival of your business in the host country?

- Prompt 1: The lack of which factor would have resulted in the poorest business performance of your company?

27. The abundance in which of the following factors would have contributed most to the better business performance of your company?

- 1. Social contacts in the host country
- 2. Social contacts in the home country
- 3. Technology
- 4. Access to information
- 5. Ethnic market in the host country
- 6. Other

28. Who do you count on for improvements with regard to the above-selected factors you recognize as important for your business development?

29. How important is information technology for the current stage of development of your business?

- Prompt 1: How do you assess technology's function in your business processes?

- Prompt 2: What are the main aspects of your business activities that are facilitated by information technology?
- Prompt 3: To what extent, if at all, does information technology influence your business communication practices?

30. Do native or other transnational entrepreneurial companies constitute stronger direct competitors for your business?

- Prompt 1: Do you consider your business more competitive than those of your direct competitors?
- Prompt 2: In what aspects do you believe you are better positioned than your competitors?
- Prompt 3: What is your observation on your direct competitors - to what extent, if at all, does information technology influence their business communication practices?

31. What marketing tools, if any, do you use to promote your company?

- Prompt 1: Who is the targeted audience of your marketing activities? Is it the potential customers only or other parties as well?
- Prompt 2: How effective are the marketing tools that you use?
- Prompt 3: What internet marketing tools, if any, do you use to promote your company?
- Prompt 4: Who is the targeted audience of your internet marketing activities?

32. How would you rate the importance of personal networking for business development?

- Prompt 1: What are the benefits that your business has seen from your personal networking?
- Prompt 2: With whom do you normally network?
- Prompt 3: Where do you normally network?

33. To what extent do you use virtual professional networks (e.g. LinkedIn) for your business purposes?

- Prompt 1: What type of people/organizations do you get linked with?
- Prompt 2: What are the main purposes for which you use virtual professional networks?

34. Is there anything relevant to the subject of the conversation or to your professional success that we have not discussed?

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[i] In this thesis, I do not mean to imply a strict ontological differentiation between ethnic and transnational entrepreneurship. Nevertheless, I recognize their specific characteristics as reviewed by Drori, Honig and Wright (2009). While both groups are likely to be comprised of immigrants, ethnic entrepreneurs are constrained to particular social structures, which also constrains the scope of their economic transactions. By contrast, transnational entrepreneurs operate beyond the boundaries of their ethnic setting. Empowered by globalization, the actors' cosmopolitan orientation, enhanced mobility and telecommunication technology, TEs "engage in two or more socially embedded environments; maintaining global relations enhancing creatively and maximizing their resource base" (Drori et al., 2009:1006).