

## Internationalisation Opportunity Creation (and Exploitation) in an Emerging Market: An Investigation of Digital Intensive Firms and Cultural Intensive Firms

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### Abstract

Over the past few decades, Indonesia has shown significant economic growth, similar to other emerging markets. However, emerging markets such as Indonesia are not well understood with limited research related to business practices from an international entrepreneurship perspective. This study investigates international entrepreneurship through the lens of effectuation to identify the differences and similarities between more mature internationalization markets and emerging markets such as Indonesia. The study uses an exploratory multiple case study methodology to better understand this international entrepreneurial phenomenon within Indonesia. Ten cases are used with in-depth interviews from international entrepreneurs to distinguish digital intensive firms internationalizing from culturally based firms internationalizing, to gain insights about modern Indonesia and their international entrepreneurs. The findings highlight some significant changes due to the digitalization of the international business landscape. For example, the study finds distinct characteristics and patterns of behavior international entrepreneurs in digital intensive firms compared to international entrepreneurs in firms more strongly based on cultural artefacts and crafts. These findings highlight the importance of a continual process of evaluation of international entrepreneurs in emerging markets such as Indonesia are altering their business practices in unprecedented ways.

**Keywords:** *international entrepreneurship, effectuation, SMEs, Indonesia*

### Introduction

International entrepreneurship (IE) in emerging markets such as Indonesia is relatively undocumented or understood. Indonesia is a fast-growing market with new sources of economic growth (IMF, 2016b). Over the past few decades, Indonesia has made impressive progress across a broad range of economic and social aspects (OECD, 2016) and is building further on many assets – a young population, low public debt, the abundance of natural resources, effective fiscal policies and stable political system (IMF, 2016a). The rise of Indonesian economy since facing the monetary crisis in 1998 is inseparable from the support of small and medium enterprises (SMEs), the prior research revealed that they became an engine of economic growth, job creation and a vehicle for a more equitable distribution of income (Tambunan, 2007). Today, more and more SMEs from Indonesia are engaging in international markets. The patterns and development of IE have been accelerated by the progression of globalization, the internet, and other advanced technologies (Knight & Liesch, 2016) and growing export activities in emerging markets (Haddoud, Onjewu, & Jones, 2018). Despite the increasing role of the emerging markets in the world economy, IE research in these markets is still embryonic (Falahat, Knight, & Alon, 2018; Kiss, Danis, & Cavusgil, 2012). Therefore, there have been many calls for researchers to investigate IE issues within emerging markets (Cavusgil & Knight, 2015; Knight & Liesch, 2016; Schwens et al., 2017).

International entrepreneurship (IE) emerged as a research field in the late 1980s when emerging evidence showed that new ventures were able to engage in international business from inception (McDougall-Covin, Jones, & Serapio, 2014). IE refers to “*the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services*” (Oviatt & McDougall, 2005). The concept of opportunity has emerged as a predominant focus in IE field (Mainela, Puhakka, & Servais, 2014; Reuber, Knight, Liesch, & Zhou, 2018). However, while the relevance of “opportunity” has been acknowledged by salient IE scholars, its meanings and roles remain under-established in IE research (Chandra, 2017; Muzychenko & Liesch, 2015). Several attempts have been made to investigate opportunity discovery/recognition in international markets (Chandra, Styles, & Wilkinson, 2009; Urban & Willard, 2017; Zaefarian, Eng, & Tasavori, 2016). The dominant perspective of IE scholars is that opportunities are ‘discovered’ by entrepreneurs (Urban & Willard, 2017). Whereas, several scholars assume that opportunities are created by the actions, reactions, and enactment of entrepreneurs to produce new products or services (Alvarez & Barney, 2007; Baker & Nelson, 2005; Sarasvathy, 2001; Weick, 1979). Decision-making process in opportunity creation is uncertain because opportunities do not exist until they are created. The uncertainty facing entrepreneurs related to the creation of opportunities is a source in the emergence of effectuation theory (Sarasvathy, 2001).

Entrepreneurs who operate a business in an international market often face a high level of cross-border uncertainty due to lack of international market knowledge, lack of international networks, cultural differences and geographic distance challenges (Chetty, Ojala, & Leppäaho, 2015; Kalinic, Sarasvathy, & Forza, 2014). Effectuation logic approach has been widely accepted as one of the most popular theories for studying entrepreneurial decision-making (Chetty et al., 2015; Kalinic et al., 2014; Laine & Galkina, 2016) and been applied into the domain of international entrepreneurial firms (Andersson, 2011; Sarasvathy, Kumar, York, & Bhagavatula, 2014). The reason incorporating effectuation in IE research because of the similarity in the entrepreneurial process and facing uncertain condition (Schweizer et al., 2010).

In sum, this study extends our understanding on international entrepreneurship in Indonesia through the effectuation lens. Our findings suggest that international entrepreneurs demonstrate distinct characteristics and patterns of behavior in digital intensive firms compared to international entrepreneurs focused on more traditional cultural artefacts and products.

Accordingly, we provide several contributions to the existing literature. First, we make a significant contribution to the literature pertaining to IE research in emerging markets. Second, this study extends the use of the effectuation theory into IE research. In this study we add the knowledge that most entrepreneurs tend to use effectuation logic both the early development of their business, early internationalization and the growth of their business based on their means (who I am, whom I know, and what I know). Despite of the absence of prior international experiences, the lack of international market knowledge, and lack of finance, by applying effectuation logic the entrepreneurs were able to rapidly and early enter international markets since their founding and internationalize into distant markets from home country.

## **Literature Review**

### **International Entrepreneurship**

The term of international entrepreneurship (IE) was initially used to link two cross-disciplinary research fields: entrepreneurship and international business to capture phenomena in which entrepreneurs conduct business internationally (McDougall, 1989). The starting point was McDougall’s empirical study (1989) distinguishing firm behavior between domestic new ventures and international new ventures. That study provided an early definition of the term IE which focused on new ventures or start-ups that from their inception are involved in international activities. Neither entrepreneurship nor the international business field had addressed the study of

IE directly; entrepreneurship research focused most often on venture creation and management of SMEs within the domestic area, and international business scholars have focused primarily on established, large multinational firms (McDougall & Oviatt, 2000). Moreover, the emergence of IE is driven by the gaps in the traditional internationalisation theories: Uppsala/process model, eclectic/economic paradigm, and network perspective. These theories cannot explain “why and how” some firms are able to internationalise rapidly without incremental or gradual process; or, that some entrepreneurs often successfully adjust to unstable environmental conditions without having a rigorous goal by integrating resource-based analysis, networking, and the resource of serendipity, resulting in unplanned internationalization (Chandra et al., 2009; Crick & Spence, 2005; Kalinic et al., 2014).

International entrepreneurship includes certain types of behavior—those focused on opportunities and crossing borders (Mainela, Puhakka, & Servais, 2015; Oviatt & McDougall, 2005). Mainela et al. (2014) suggested a definition of an international opportunity as “a situation that both spans and integrates elements from multiple national contexts in which entrepreneurial action and interaction transform the manifestations of economic activity” (p. 120). This definition is in line with the social construction view (Berger, 1966; Wood & McKinley, 2010) that sees IE as highly contextual, socially constructed enactment, and envisioning of future opportunities that occur through action, interaction, and transformation across borders (Lehto, 2015; Mainela et al., 2015). As one of the leading theories in entrepreneurship field (Nummela, Saarenketo, Jokela, & Loane, 2014), effectuation theory has increasingly been useful in IE studies, especially to understand the internationalisation process of small enterprises.

### Effectuation

Sarasvathy (2001) introduced effectuation theory as a logic of thinking, discovered through research, used by expert entrepreneurs in the process of opportunity identification and new venture creation. Effectuation expresses a dynamic and iterative process of creating new artifacts such as opportunities, ventures, products, and markets (Sarasvathy, 2001; Wiltbank, Dew, Read, & Sarasvathy, 2006). Effectuation is a type of logic focusing on a set of evolving means to reach new and different goals alternative to causality which focus on achieving a desired goal through a specific set of given means (Sarasvathy, 2001). Effectuation approach is beneficial when the future cannot be predicted, goals are ambiguous, and human power steers the environment; the causal approach is useful when the future is predictable, goals are obvious, and the environment is unrelated with human actions (Sarasvathy, 2001). Both causation and effectuation are fundamental parts of individual reasoning that can take place simultaneously, overlapping and intertwining over the different context of decisions and actions (Sarasvathy, 2001). Effectuation approach suggests that entrepreneurs create opportunities through a process of effectual interaction with stakeholders (Sarasvathy, 2008) that rebuilds current realities into new opportunities. Thus, it does not mean that effectuators do not recognize opportunities, certainly for the most situation, effectuators work to create, as well as recognise opportunities (Sarasvathy, 2003). Five behavioural principles that distinguish between effectuation and causation logic including: (1) starting with a set of means or a given goal; (2) considering the potential risk/affordable loss or expected returns; (3) forming partnership and pre-commitment or competitive market analysis; (4) embracing contingencies or avoiding surprises; (5) controlling unpredictable future or predicting a risky future were identified (Sarasvathy, 2008). Effectuation starts with a central actor (the entrepreneur) who has the three critical means to create new effects: Who I am (e.g. traits, characteristics, abilities), what I know (e.g. knowledge, experience, education, expertise), and whom I know (e.g. social network contacts) (Sarasvathy, 2001). Instead of calculating the attractiveness of the expected return, effectuators evaluate opportunities based on whether the downside is acceptable. An effectual approach embraces surprises as an opportunity that arises from uncertainty to control the newly emerging situation (Sarasvathy,

2001). The effectuation approach emphasises that entrepreneurs rapidly establish communication with different stakeholders such as employees, customers, suppliers, government agency and even prospective competitors (Sarasvathy et al., 2014).

## Methods

This study uses a qualitative approach by using multiple case studies. A case study is an empirical method suitable for investigation of an in-depth a contemporary phenomenon, within contextual settings (Ghauri & Grønhaug, 2005; Marschan-Piekkari, 2011), especially when the borders between the phenomenon and context may not be clearly obvious (Yin, 2018). Five criteria are identified to guide the process of selecting cases. First, the potential participant has to be an international entrepreneurial founder/owner of an independently owned firm. Second, this research is limited to the investigation of Small and Medium Enterprises with criteria following both Indonesia's Law No. 20 in 2008 (adopted by Ministry of Cooperative ). Third, the entrepreneur has been involved in international activities with at least 10% of foreign sales to total sales (Perks & Hughes, 2008). Fourth, firms are operating in digital and traditional firms located in Indonesia. Finally, cases were chosen to achieve both literal replication (differences but for expected reasons) and theoretical replication (similarities for predicted reasons) and to increase the robustness of the analysis. The primary data collection was conducted in several provinces in Indonesia, namely Jakarta, East Java, Central Java, West Java (Bandung), and Yogyakarta. For every case, we interviewed the entrepreneurs who were the owners/founders/managers of the companies. The international entrepreneurs came from different educational backgrounds and working experience. The length of single interviews varied depending on the interviewee's ability to recall events, the availability and amount of information in his/her possession. The interviews were conducted using Bahasa Indonesia. All of the interviews were tape-recorded and subsequently transcribed verbatim, then translated from Bahasa Indonesia into English. The data analysis included within-case and cross-case analysis, field notes, and press and marketing materials. During within-case analysis, the information from the interviews were organized to form descriptive narratives, to identify the background and key events of each case. The chosen research approach used in this study as partially deductive (theory-inspired) and partly inductive (Orton, 1997). The study initially was informed by effectuation theory. We linked the effectuation theory to the descriptive narratives. We summarized in a table containing a short description of narratives related to effectuation principles (e.g. who I am, what I know, whom I know). Then, we wrote the single case study in order to identify missing or contradictory information. Finally, cross-case analysis was conducted by combining ten cases into a single table that enabled case comparison.

## Results and Discussion

This study presents within case analysis from 10 cases. The first five firms operating business related to digitalization while the second five firms related to traditional products (e.g. crafts, furniture, and coffee green beans).

### Case 1

The firm is engaged in the field of mechanical engineering, mechanical designing, product design based on Salatiga, Central Java. The firm was established in 2009, by two siblings who graduated from a Vocational high school. They utilised a crowd sourcing to offer their design service. So far, the company has served more than 150 clients from 300 projects in more than 30 countries, where around 98% of its projects come from abroad.

*Why am I interested in the world of design engineering? Because I like it, my passion is there. I want to be useful for others whether through work, products, design. We want to be something for others, to participate in efforts to develop Indonesia (Founder)*

### Case 2

Founded by 2 best friends, who decided to produce fine leather goods, in particular, bag leathers located in Jakarta. Because of their concern about domestic customers' rejection toward their new brand fashion, they decided to launch their products overseas using a crowdfunding. So far, their products have been sold more than 55 countries, mostly to American customers.

*The first principle is that "our bags can be received by people from around the world and are considered to be good quality (Founder).*

*"We decided to launch our products abroad to become a "value" and not over-priced compared to goods from America and Europe. That is why we used the Kickstarter to get exposure from abroad. We need a platform and access because Indonesian brands are very difficult to get exposure from overseas" (Founder).*

### Case 3

The game developer company based on Bandung, West Java was founded in 2009 by 18 college students from information technology faculty. To date, this firm has obtained more than national and international awards producing over 250 games that have been provided in the iOS (Apps Store) and Android (Google Play) platform applications.

*In fact, when we first stood up, we already made a game that was focused internationally. In early 2009, the way the newly established game company was earning money by making flash games. Flash game business model that is by selling games to owners of flash game portals abroad (Chief Marketing Officer)*

*We just launched a game at the end of last year "the Valthirian Arc: Hero School Story". That's actually the third title of the Valthirian Art series. That game is our first game to enter the Console. Before, our games were for Nintendo Switch and Sony'sPlaystationstore. So, it is indeed a coincidence that we have just released it for North America and Europe. Because the console market is huge abroad. But we will release soon in Asia, possibly in the first half of this year, in East Asia and Southeast Asia (Chief Marketing Officer)*

### Case 4

This company is a service company serving apps and games located in Yogyakarta. Established in September 2011, this company was founded by five students from Department Computer Science. They have strategy to continuously follow the latest technology and make innovations as well as opening collaborations with partners from all over the world.

*At present we have an overseas project from Japan. We make products to be released by Playstore that will be targeted globally" (CEO)*

### Case 5

This is a fashion and accessories brand under the social enterprise located in Bandung, West Java. This firm was founded by three best friends with different education backgrounds-public relations, architecture, and mathematics. They created software named jBatik. This software enables batik artisans to create unique designs. They have mission to help batik artisans to fair wages that will lift them from poverty, thereby preserving the traditional Indonesian craft of Batik.

*When entering the international market, thank God, there was an interested person I think it was around 2009 when the initial software was launched" (Chief Design Officer)*

*“At that time, we did research in 2006 about seeing how the relationship between batik and fractal. We found that there was a mathematical connection, so we created software called batik. This software can make motifs by using certain rhythm cables to produce art.” (Chief Design Officer)*

*“For Batik, I see that for Southeast Asia such as Malaysia and Singapore are a good market, possibly because they are allied. But outside those countries, it might need greater effort not only from us but also from other government agencies. (Chief Design Officer)*

*“Currently, we are very happy that Batik fractal has become apparel that we market digitally in Indonesia. We also see and glance at the international market where fractal batik is now available in Canada, France and Australia. I believe this tradition can be carried crossing overseas by using technology for the present and the future. Otherwise, our traditional art will only be displayed as artifacts in the museum. We can do anything we can for Indonesia (Chief Marketing Officer)*

### **Characteristics of cases 1-5**

The first five firms (Case 1-Case 5) can be categorised as a digitalisation internationalisation. We classified them based on two categories: 1) Products/services that they offer to international markets related to technologies (e.g. games, 3D printing, design engineering) and 2) the use of digital marketing and sales channels (e.g. crowdfunding). Through digitalisation, these companies are characterised as young, entrepreneurial start-ups that initiate early and accelerated internationalisation soon after their inception. The entrepreneurs began creating their new ventures based on their means: identity (passion, hobby), knowledge (e.g. technology, educational background), social networks (e.g. friends, family). Then, the entrepreneurs evaluate the course of action (what I can do) based on the resources at hand. Even in the face of limited tangible or financial firms' resources, these firms could leverage their means to internationalise early and achieved well in foreign markets.

### **Case 6**

This company is engaged in the field of wood crafts located in Boyolali, Central Java. Today, this firm is operated by the second generation of a family business but offers a different concept. The current owner produces 1: 1 replica cars or motorcycles using teak wood waste material. He is able to create a variety of ancient cars, big motorbikes (Harley Davidson), tricycles, to hyper car like Bugatti Veyron Super Sport. His work has entered various international markets such as India, Korea, Abudhabi, Australia, France, Spain, the UK, Cairo, Germany, the Netherlands, and Azerbaijan.

*“My first customer is Dutch. At that time, when my sister's wedding, I displayed a large motorbike I had made in front of the house. Suddenly he stopped by and ordered one after a month (Owner)”.*

*“Now I only focus on exports. I have been resting for 7 years attending an exhibition...I have got many orders” (Owner).*

### **Case 7**

This company produces the teak furniture located in East Java. Now, this firm is managed by the second generation of a family business who has a significant role in bringing his father's company into the international market through direct export. At present, the company has exported to China, Belgium, Madrid, America and France.

*“We did the first direct export to Belgium and China because there was a government program called SVLK (Timber Legality Verification System) (Owner)”.*

*"We exported to China in 2016 but were hampered by internal problems. There are various complicated processes when exporting to China. Initially, we attended an exhibition that was connected to an NGO and they recommended our company because it was already certified. We were also assisted and cooperated with the government(Owner)".*

#### **Case 8**

This is a cooperative that spearheaded the fair-trade movement through the strengthening of artisans in a special area of Yogyakarta. The cooperative was founded in 1987 when 25 small handicraft producers joined forces with NGO activists. The purpose of this cooperative is to preserve Java's rich craft culture and increase artisan income.

*"Currently, our orientation is 90% exports" (Director)*

*"We are found by the market with our partner in Jakarta. They invited buyers from America to see the products in Yogyakarta and they were surprised that apparently handicraft products were not only from Jakarta, but there were many in Yogyakarta. In fact, most handicraft items originate from Yogyakarta. At that time, we did not have experience on how to conduct transactions abroad. They were interested and took some items and challenged us "Do you dare to send these items directly to America" (Director)*

#### **Case 9**

This family business was founded in 1993. Today, the second generation joined to lead the company in 2009. This company utilizes offline and online media in selling their products. He regularly attends handicraft exhibitions held internationally every year. In online, he takes advantage of Alibaba's marketplace. In its management, this company has exported its products to several countries, such as the UK, Germany, Italy, Spain, Canada, USA, and Chile.

*"An opportunity always exists, and a market is always there. If the demand in one country declines, there must be another opportunity in other countries. But different case what happened a few years ago, we experienced decreased sales together because of the global crisis. Whether we should pick up the ball or not, Bali has a point of view: many foreign people come to Bali. The possibility they could go travelling as well as do business. But, maybe only 15-20% of foreign tourists come to do business. Therefore, picking people up is necessary needed, so we always market our products online and offline." (Owner)*

#### **Case 10**

This company formed as a cooperative was established in 2014. The cooperative is created by the women who previously had experienced as a member of the traditional cooperative dominated by men. The member of cooperative is all women using FairTrade practices. The cooperative is a coffee producer located in Gayo Mountain region in the Aceh Province of Sumatra.

*"In 2015, we went to Coffee trade show in Seattle, USA, where many coffee businessmen, farmers around the world come". (Chairwoman)*

*"We used money from our cooperative to go to America. We have budgeted our finance for attending trade shows that aim to introduce to other buyers, websites and promotion" (Chairwoman)*

*"We know and are very closed to PG (previous cooperative). We got a lot of information about coffee, learned, browsing on the internet. Then, we made a promotion and a foreign buyer came to BenerMeriah. So, the buyer did not want to buy except they must make sure that this is a real cooperative that has farmers and land. They wanted to ascertain the origin of coffee producer they want to buy. Then, the communication occurred". (Chairwoman)*

**Characteristics of Cases 6-10**

The second five firms (Case 6-10) are categorized as a traditional internationalization. Three firms (case 6, 7, and 8) are family business and, today are operated by the second generations. Two firms (case 8, 10) are cooperative type. These firms are included in traditional sector companies that do not utilize high technology to create products. Four cases (1-4) produce crafts products that are made by hands and skills of artisans/craftsmen (e.g. wood carving, stone carvings, paintings, batik). Case 5 is in an agriculture sector that involves many farmers and uses a traditional method such as for planting, dry processing, and harvesting. In terms of internationalization, initially these firms operated in domestic markets before venturing overseas. For example, Cases 6,7,9 gradually and slowly entered foreign markets since they were found. Two cases (Case 6 and Case 7) entered into the foreign markets initially through foreign agents and then exported directly by themselves. Case 6 and Case 8 first entered a foreign market through serendipity after receiving an unexpected order from overseas. For Case 10, this firm was able to internationalize early from its inception because the founders had experience as a member of cooperative-export oriented and owned business networks that enable them achieving international sales from an early stage in their development. In terms of marketing channel and the development of networks, these firms tend to use the traditional ways to obtain potential foreign customers such as participate in trade fairs

Case/position	Location	Age/gender	Educ.	Firm founded	First year Intz	Nature of business	No. of employees	Destination countries	Entry mode	Int. Exp. (studied/lived/worked)	Comments
Case 1 / Founder, CEO	Salatiga, Central Java	32/male 27/male	Vocational High School	2009	2009	Design and mechanical engineering	15	+ 30 countries (mainly the USA, Australia, New Zealand)	Service export	No	The founder, passion related to design (Who I am). Partner with family bother to build a company (Whom I know). Used a crowdsourcing to offer their service (What I know)
Case 2 / Founder & Owner	Jakarta	38/male	Architecture, Politic, Finance	2012	2013	Fashion (fine leather goods, specifically bags)	5	+55 countries	Exporting	Yes	The founder loves leathers products (Who I am). Collaborating with his best friend to create a business (Whom I know). Utilized a crowdfunding to enter international markets (What I know)
Case 3 / Chief Marketing Officer	Bandung, West Java	31/female	Information technology	2009	2009	Game developer	202	Netherlands, the UK, North America, Europe	Licensing (2009), distributor/agent	No	The founders have hobby playing games since they were a child (Who I am). Met in the university and often participated in the game competition, then they collaborated together building a game company (Whom I know). Created a flash game and submitted it into an international game portal in the Netherlands. (What I can do)
Case 4 / Founder & CEO	Yogyakarta	28/male 29/male	Computer science	2012	2013	Apps & Game developer	8	Finland, Malaysia, Japan	Service export	No	The CEO has a passion for design (Who I am). Partner with his college friends established a company (Whom I know). Contacted by the manager of Nokia in Indonesia to create a game for Windows (Lemonade principle/embrace contingency).
Case 5	Bandu	39/male	Architect	200	2009	Fashion,	4	America,	Exporting	No	The founders, the three best friends (Who I am)

Case/position	Location	Age/gender	Educ.	Firm founded	First year Intz	Nature of business	No. of employees	Destination countries	Entry mode	Int. Exp. (studied/lived/worked)	Comments
/ Founder & Chief Design Officer	ng, West Java	e	ture (Bachelor and master)	6		service in batik training		Malaysia, Singapore, Australia, France	g, service export		fiddled with mathematical algorithms and accidentally produced geometric drawings that looked like batik motifs. Created a software called Jbatik to produce various batik motifs. (What I know). Presented the software in an international conference, and got funding in the following year (What I can do)
Case 6/ Owner	Boyolali, Central Java	49/male	Art (textile)	1992	2004	Crafts	11	India, Korea, Abudhabi, Australia, France, Spain, the UK, Cairo, Germany, Netherland, and Azerbaijan	Exporting (direct and indirect export)	No	The owner is the second generation of the family business (Who I am). Created different design products (what I know). Received the first international market accidentally (Lemonade principle/embrace contingency)
Case 7/ Owner	Ngawi, East Java	26/male	Senior High School	1995	2005	Furniture and Wood crafts	12	Belgium, China, Madrid, America, and France	Exporting (direct and indirect export)	No	The owner is the second generation of the company (Who I am). Participated in a training program held by the government (What I know). Funded to participate in international exhibitions, and got the first direct customer (lemonade principle)
Case 8/ Director	Yogyakarta	48/Female	Management	1987	1990	Crafts	30	America, Australia, Austria, Canada, Europe	Exporting	No	The director started her career as an internship in a cooperative that helps artisans selling their art products (Who I am). The director and the founder joined an exhibition in Jakarta. Then they met an international client who made the first

Case/position	Location	Age/gender	Educ.	Firm founded	First year Intz	Nature of business	No. of employees	Destination countries	Entry mode	Int. Exp. (studied/lived/worked)	Comments
											international order. (lemonade principle)
Case 9/Owner	Bali	32/male	Computer Engineering	1983	-	Crafts	49	The UK, Germany, Italy, Spain, Canada, USA, Chile	Exporting	No	The owner is the second generation of the family business (Who I am). Participates regularly in national and international exhibitions and uses a marketplace to sell products (What I know).
Case 10/Chairwoman	Aceh, Sumatra	45/female	Senior high school	2014	2015	Green coffee bean	5	America, Canada, Germany, and Australia	Exporting	No	The chairwoman, experienced as a member of a cooperative (who I am), collected the women who have land (whom I know) to establish a cooperative. The cooperative focuses on export, and actively participates in international coffee exhibitions. Obtained the first order from the exhibition (lemonade principle)

## Conclusion

This empirical study undertaken in Indonesia explores effectuation to understand international entrepreneurship in emerging markets. Environmental uncertainty was identified as a main characteristic of this emerging market, which has been shown in the literature to be a weak institutional arrangement, unstable political and economic conditions resulting in institutional voids and dysfunctional competitions (Bruton, Lau, & Obloj, 2014; Narooz & Child, 2017). Companies in emerging markets, like in Indonesia have to deal with such uncertainty as firms often encounter resource constraints (Yu, Tao, Tao, Xia, & Li, 2017). Consequently, firms need to figure out efficient strategies to run their business by looking at means at hand (i.e. who they are, what they have, and what they know), which captures the essence of effectuation principle “bird-in-hand” (Sarasvathy, 2001, 2008). As they only invest as much as they are willing to lose rather than maximize return on investment (affordable loss). To reduce uncertainty and obtain additional resources, the firms in emerging markets tend to form partnerships by forming ties with self-selected actors (e.g. family, friends), crazy quilt principle (Sarasvathy et al., 2014). Instead of planning and conducting activities to get networks that can provide resources, the firms often opens connection with dormant ties, thus embracing surprise (Dew, Read, Sarasvathy, & Wiltbank, 2011)

This study found that an effectuation lens increases our understanding of the phenomena of the internationalisation process by international entrepreneurs in Indonesia. Moreover, the effectuation logic can be generalised not only for high-tech products or digitalisation firms but also very traditional firms such as in agricultural industry, conservative family business, traditional cooperatives, and product markets that include cultural elements that seem become a major barrier for internationalisation. The cases in this study provide ample evidence in support of the principles of effectuation. All the entrepreneurs in this study run their international business relying on who they are, for instance, some of these entrepreneurs are aware of and are concerned for people’s life around them who live in for example unfortunate conditions (e.g. poverty, low wages, unemployment). Thus, the uncertain condition drives them to think and act “what I can do” to solve these problems, through cooperatives with a focus on Fairtrade. These cooperatives collaborate with international NGOs to leverage their resources and support their vision by facilitating market access (international markets) for micro and small enterprises, farmers. The results supported the effectuation “bird in hand” (Sarasvathy, 2001) that in the early stage of internationalisation, the entrepreneurs focused on who they are (passion, hobby), what they know (education background, skills), and rely on their networks to create opportunity in international markets. Most of the entrepreneurs in Indonesia utilise the natural and human resources around them and maintain the cultural arts and crafts that have been passed down from their ancestors. In addition, they enhance and hone their skills to develop the products to an international level and harness easy-to-use technologies such as online market places and social media to promote their products and employ the people around them who live nearby and have been known to help run international businesses.

Evidence supported the use of the principle of affordable loss (What I can do) in internationalisation process, that is rarely discussed in the previous studies. In contrast to the results in developed countries that born global firms that are able to internationalise early are whose founders/managers often possess international market knowledge derived from their prior experiences – working/living/studying overseas, this study found surprising finding. The study revealed that almost all entrepreneurs did not have previous work/life experience overseas, as only one entrepreneur had studied in a foreign country.

Internationalisation decision is not an easy task, and lack of foreign market knowledge suggested becomes an obstacle for entering unknown foreign markets, thereby creating uncertainty. Uncertainty is increasing since the entrepreneurs have limited resources, especially during the early phase of the business. The entrepreneurs in these sectors (e.g. fashion, gaming, and design engineering) faced significant challenges during the start-up phase of the business, namely limited funding, lack of resources, and unknown foreign market demands. The solution to tackle the uncertain conditions, some

firms utilised crowdsourcing (e.g. crowdfunding) as a way to access funding, knowledge, and a sales distribution channel. Surprisingly, the entrepreneurs chose a crowdsourcing platform as an innovative way that they can afford to lose related to money and time because the crowdsourcing can help them in developing a new product or a new service. Rather than paying for the cost for hiring marketing consultants, doing market research, and spending for advertising and promotion, the entrepreneurs benefit from the crowdsourcing to get backers (customers) involved in production and promotion process and do R&D to create products consumer want to buy. For example, case 1 and case 2 provided an example of their current product ideas to provide feedback and suggestion to narrow down suited to the foreign marketplace, generate new ideas and improve existing ones. The biggest impact is they can reach customers from around the world by putting aside of potential distance in culture or high psychic distance and liability of foreignness (Chandra et al., 2009; Johanson & Vahlne, 2009). Through crowdsourcing, entrepreneurs can tackle the main concern in the existing literature that physic distance as a factor that makes internationalisation is difficult to understand results from differences in culture, language, level of education, and political systems (Johanson & Vahlne, 2009).

This findings in this study are contrary to knowledge commonly found in internationalisation theory which assumes that the firm originally enters foreign markets that are psychologically close to their home market and gradually expand to more distant markets (Johanson & Vahlne, 1977). Both digitalised firms and traditional industries were able to internationalise early in the countries that are far from Indonesia, for example some firms entered their first international market in America and Europe which has a high distinct culture and institutional environment difference. Unfamiliarity with the local market or culture and lack of international networks provoke uncertainty in internationalisation decision (Fuerst & Zettinig, 2015). The entrepreneurs in the cases revealed that they followed lemonade principle/leveraging contingencies turning uncertainty into an opportunity. Instead of rejecting offering or unsolicited orders from foreign buyers/clients overseas to create products/services for international markets that they did not experience before, the entrepreneurs used and leveraged such unexpected events to their advantage. It is somewhat surprising that most of the entrepreneurs did not have a business plan and conducted planned internationalisation to select and enter in a specific country. This study supports evidence about unplanned internationalisation (Crick & Crick, 2014) that have been less revealed in the prior studies. A possible explanation for this might be that many scholars suggest that international entrepreneurial decision is rational and planned; opportunities exist in the environment needed a proactive entrepreneur to discover and exploit them (Chandra et al., 2009; Chetty et al., 2015; Urban & Willard, 2017). However, this study found that the group of the digitalization internationalization (DI) (Case 1-5) is more proactive than the group of traditional internationalization (TI). The Group DI has the vision to enter international markets, even from their early stage of their founding. They prepared their knowledge, standardized the quality of products/services so that can be accepted globally, and actively searched information for internationalization. Whereas Group 2 the internationalization process seems to respond reactively to opportunities that emerge coincidentally result is unplanned internationalization. Because of having a limited number of international ties, some entrepreneurs attended international trade exhibitions and approached new stakeholders (e.g. customers, suppliers, distributors) met serendipitously to create a new market. The finding also corroborates the principle of Pilot in the plane that rather than attempting to control or predict the future, the entrepreneurs focused on what the business could possibly create with their partners. The entrepreneurs made pre-commitment with partners and a commitment to co-creation, which accelerated the international entry and increased international scope (Prashantham, Kumar, Bhagavatula, & Sarasvathy, 2018).

While this study has limitations in terms of the small sample of firms and the preliminary findings, we indicate that international entrepreneurs in emerging markets are creating international markets for

traditional crafts and products as well as engaging in creating new firms with digital expertise and digital market practices.

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