

Effectuation and Internationalisation: A Review and Agenda for Future Research

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The article is published in SBE and is available at:

<http://link.springer.com/article/10.1007/s11187-019-00183-4>

Farid ud-din Attar a twelfth-century Persian poet in “Conference of the birds” describes the assembly of the birds and their journey to search for the bird-king, the Sīmorǧ bird (Phoenix), knowing that to find the Sīmorǧ they have to undertake an arduous journey. In the end of the journey only thirty birds (Sīmorǧ) remain and they realise that the Sīmorǧ is their own selves (Reinert, Encyclopaedia Iranica, 2012).

Introduction

Effectuators are the birds and the bird-king is the opportunity to be created. Since no entrepreneur has the complete vision to see the entire opportunity at the beginning of the journey, they begin with a general aspiration and immediately start to network to undertake an uncertain journey in which they trust each other and learn from their experience. The process that ends up with a new created opportunity. *Conference of the birds* as a metaphor can provide a ground to comprehend the effectuation process in SMEs internationalisation journey in that the individual is the basis of the opportunity. This paper is an effort to review how this journey is depicted in extant IE research.

International Entrepreneurship (IE) literature has focused on the internationalisation of firms, mainly through the lens of international opportunity (Chetty, Karami and Martin, 2018; Coviello, McDougall, and Oviatt, 2011), and has paid less attention to the entrepreneurial side of the internationalisation process (Jones, Coviello and Tang, 2011). Extant research in this field is more phenomenon-based and suffers from a lack of theory (Jones, et al. 2011; Keupp and Gassmann, 2009). Considering the definition of IE as “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt and McDougall, 2005, p. 540), employing theories from the

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entrepreneurship field, with a focus on the nature of opportunity (Murphy, 2011), can be useful in explaining firms' internationalisation processes (Keupp and Gassmann, 2009; Mainela, Puhakka and Servais, 2014).

Sarasvathy's (2001) seminal work on effectuation as an entrepreneurship theory has led to a growing body of research on small business (Tan, Fischer, Mitchell, and Phan, 2009), and opportunity development (Read, Sarasvathy, Dew and, Wiltbank, 2015), and is considered one of the dominant theories in entrepreneurship (Alvarez et al., 2016). Effectuation theory criticises the dominance of neoclassical predictive logic (Read, et al., 2015), which is the matter of accurate positioning in an existing market (Wiltbank, Dew, Read and Sarasvathy, 2006). Effectuation theory provides a more realistic picture by building upon the conceptual distinction between uncertainty and risk. The theory argues that, due to the unpredictability of the future under uncertainty conditions, developing a new opportunity does not happen through predictive approaches. In uncertain situations, new opportunities are co-created by transforming accessible means into new goals (Sarasvathy, 2001). This theory appreciates the possibility of applying causal predictive approaches under risk conditions, and introduces itself as a *both-and* theory, which implies applicability of both effectual and causal approaches in different conditions (Read, et al., 2015). Effectuation theory in essence is about the logic of control versus logic of prediction. This distinction implies that when prediction is impossible, entrepreneurs apply effectual logic to control or shape an unpredictable future, through the use of under control means, turning them to valuable resources through stakeholder commitment, managing affordable loss and embracing contingency in creating new product, firm, or market artefacts (Read, et al., 2015).

The effectuation discourse is relevant to IE scholarship "because cross-border business involves additional layers of uncertainty and more complex network dynamics that can affect how an IE entrepreneur makes decisions regarding international opportunities" (Chandra, et al., 2015, p. 203). It has been almost a decade that effectuation theory has been applied in internationalisation of small and medium sized enterprises (SMEs) research (e.g., Chandra, Styles, and Wilkinson, 2015; Crick and Crick, 2014; 2016; Galkina and Chetty, 2015; Schweizer, 2015), revealing that the internationalisation of SMEs can be the result of opportunity co-creation within the networks of relationships (Sarasvathy, Kumar, York and Bhagavatula, 2014; Schweizer, Vahlne and Johanson, 2010). Effectuation theory has been connected with some established theoretical models in international business, such as the revisited Uppsala model (e.g. sarasvathy, et al., 2014; Schweizer, et al., 2010), and found to

inform internationalisation studies by explaining the process by which firms develop international opportunities (e.g. Chetty, Ojala and Leppäaho 2015; Harms and Schiele, 2012).

Effectuation theory provides a theoretical lens to explain international opportunity formation as the more recent and under researched theme in IE research, as highlighted by Jones *et al.* (2011), However, “scholarly work on effectuation is as yet incomplete, inconsistent in places and probably far from obvious in application” (Read, Sarasvathy, Dew and, Wiltbank, 2016a, p. 5). There is some ambiguity about the role of effectuation theory, owing mainly to misinterpretation in the IE research. Some researchers have conceptualised effectuation as an approach (e.g. Ciszewska-Mlinaric, Obloj and Wasowska 2016; Laine and Galkina, 2016), and linked it to limited resources (e.g. Frishammar and Andersson, 2009; Harms and Schiele, 2012). Effectual internationalisation has been interpreted as an unplanned and serendipitous process (e.g. Evers and O’Gorman, 2011; Galkina and Chetty, 2015). This issue has been highlighted in a recent conversation in the Academy of Management Review (i.e. Read, et al., 2016 a,b): While effectuation can be unplanned, its nature is far beyond unplanned internationalisation. Research on effectual internationalisation, therefore, requires more studies with a clearer conceptualisation of the theory to provide answers to the central question in IE research: whether, and how, effectuation theory can explain the process of international opportunity development and its consequences (Coviello, et al., 2011)

This paper looks more closely at important connections and disconnections between IE and effectuation theory. The aim of this study is to systematically review and evaluate the contribution of effectuation theory in IE research. The study contributes to the IE literature and effectuation theory by articulating the conceptual connections of effectuation theory to the IE research as well as noting potential areas for improving the application of effectuation theory in the IE studies. To address this objective, following Paul and Benito (2018), we have considered antecedents, mechanisms and outcomes of effectual internationalisation. The study highlights the application of effectuation theory in three types of research in IE, including entrepreneurial internationalisation - which addresses “entrepreneurship that crosses national borders” and concentrates on internationalisation as its primary theme (type A) (Jones, et al., 2011, p. 641); international comparisons of entrepreneurship, that concentrate on understanding “if and how entrepreneurial behaviour differs by country and/or culture.” (type B) (Jones, et al., 2011, p. 635-644); and an emerging comparative entrepreneurial internationalisation (type C) which “examines entrepreneurial internationalisation in a comparative or cross-national manner” (Jones, et al., 2011, p. 646).

The study first presents the concept of effectuation, and compares it with causation, to provide a clear understanding of the theory and its central concepts. Then, the methodology of the systematic literature review is described. In the third section, the content of the reviewed articles are analysed in terms of the central question of how opportunities are developed in IE research, to identify the contingent factors of different studies. In the fourth section, effectuation is conceptualised in the internationalisation studies. In the fifth section, the findings are discussed in terms of theory's key concepts and the research question. Finally, an agenda for future research is presented.

Effectuation and causation: Two logics of decision making

Sarasvathy defined effectuation and causation as two logics of decision making, stating that “effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means”, and “causation processes take a particular effect as given and focus on selecting between means to create that effect” (2001, p. 245). Sarasvathy criticised the dominance of causal approaches in management and entrepreneurship literature, and introduced effectuation logic as a complementary logic to the causal approaches in decision making (Read, et al., 2015), which “works when the causal logic of optimality and bias does not work” (Read et al. 2016a, p. 4).

Causation as a dominant logic in the entrepreneurship literature (Macpherson and Jones, 2010; Read, et al., 2016a), is theoretically driven from the neo-classical rational decision-making approaches (Chandler, DeTienne, McKelvie and Mumford, 2011). Causation logic as the logic of prediction in which the future is the continuation of the past (Sarasvathy, 2001), corresponds to an adaptive approach to environmental conditions (Werhahn, Mauer, Flatten, and, Brettel, 2015; Wiltbank et al., 2006). This approach assumes managerial work as “a series of states with some changes occurring between them” (Vahlne and Johanson, 2017, 1088). Causal approaches assume that opportunities are exogenous, and are discovered by alert entrepreneurs who search their environment and select opportunities with the highest potential return (Casson and Wadeson, 2007). Due to the assumption that the future is predictable, this logic starts with predetermined goals (Berends, Jelinek, Reymen, and Stultiëns, 2014; Blauth, Mauer and Brettel, 2014) and expected returns (Brettel, et al., 2012). Entrepreneurs with linear motives prefer causal decision making (Gabrielsson and Politis, 2009). Causation relies on the analysis of market trends to understand competition in the market (Brettel et al., 2012), in order to select between possible means to realize pre-determined goals (Dew, Read, Sarasvathy and Wiltbank, 2008). In other words, this approach, entail systematic searching for opportunities

by relying on marketing and business plans (Chandler et al., 2011). The central question in causation logic is what resources are needed to attain the selected goals? (Sarasvathy and Dew, 2005b)

Effectuation as an emergent strategy (Chandler et al., 2011) is about dealing with uncertain situations (Blauth et al., 2014), where the future is not a continuation of the past, and is not predictable. Effectuation logic takes a pragmatist perspective by considering the world as *makeable through human action* (Read et al., 2016a, p. 2). To proceed in uncertain situations, effectuation theory applies process ontology, which implies *open-endedness*. That is, “managers act in a flow of ongoing events” (Vahlne and Johanson, 2017, p. 1088) to shape the future. Effectuation theory builds on Simon’s concept of bounded rationality; March’s trade-offs between exploration and exploitation; Mintzberg’s concept of strategy formation; and Weick’s enactment process (Sarasvathy, 2001). Effectuation process addresses the present, past and future, in the sense that the effectuators’s past forms his/her identity, and other existing resources thorough which he/she tries to create the future (Vahlne and Johanson, 2017). The entire process of effectuation relies on the logic of control versus prediction (pilot-in-the-plane) through using existing means (which are under control of the effectuators), in combination with commitments and constraints coming from the related stakeholders (Sarasvathy, 2008). The logic of control helps effectuators to exert control over the unpredictable environment (Smolka, Verheul, Burmeister-Lamp, and Heugens), and transform current means into convergent new goals and co-create new opportunities (Sarasvathy et al., 2014).

The concept of resource and affordable loss in effectuation theory (antecedents)

According to effectuation logic, the entrepreneur starts with existing means (bird-in-hand), including the entrepreneur’s identity, knowledge and social network (Read et al., 2016a). Means can include the entrepreneur’s traits, capabilities, tastes, aspirations, value system, believes, intentions, prior knowledge and personal network of relationships (Read, et al., 2015; Sarasvathy, 2001). It should be emphasised that effectuation theory is considered as a resources-based view (RBV), but with a basic difference from RBV: according to the RBV, resources should be *valuable* (Barney, 1991). Effectuation theory explicitly considers all kind of means at hand as resources regardless of “whether they turn out to be valuable ex post” (Read, et al., 2009). Effectuation theory, with its process ontology, considers the process through which these existing means turn to become more or less valuable resources (Read, et al., 2009). This conceptualisation of resources in effectuation theory makes it different from RBV in the sense that it emphasises the ongoing process in which existing means turn out to

be valuable resources or useless means. Networking with other stakeholders play the key role in this process.

A recent conversation about effectuation theory in the Academy of Management Review (Arend, et al., 2015; Read et al., 2016 a; Read, et al., 2016 b; Reuber, et al., 2016) clarified further the concept of resources in effectuation theory, and raised an interesting challenge to that of *limited resources*, making it clear that the liability of *limited resources* is not an assumption in effectuation theory. Although bootstrapping by relying on limited resources (e.g. Bhide, 1991; Smolka, et al. 2017) might be of importance for small firms, effectuation theory emphasises being means-driven vs. goal-driven. Being means-driven does not necessarily imply the liability of limited resources, instead it is about a logic of reasoning which starts from under control means instead of unpredictable goals (Fiet, Piskounov, and Patel, 2005; Read, et al., 2015). Beginning with means, effectuators control the environment and cooperate with other stakeholders to shape up the market (Read, Dew, Sarasvathy, Song, and Wiltbank, 2009). The effectuation process makes entrepreneurs more flexible and leads to the co-creation of an unpredictable new venture through networking, in which stakeholders share and give-up control over their means to be able to proceed (Read, et al., 2015).

Networking: The main mechanism of co-creation in effectuation theory

Networking is the central mechanism of effectual reasoning for co-creation of opportunity in an unpredictable setting (Read et al., 2016a), however there is an important distinction between *network as a resource* and *network as a partnership* in effectuation theory. *Whom I know*, is considered as an existing mean (bird-in-hand) at the beginning of the effectuation process. Called the *Patchwork Quilt* principle in original effectuation formulation, networking refers to the personal non-systematic activities which take place to extend existing ties and develop pre-commitments with key partners early in the effectuation process (Sarasvathy, 2001). These pre-commitments are then leveraged to share ideas with other stakeholders, make financial commitments and share risks and rewards to control the risk of unpredictable future by negotiation between stakeholders. This process leads to “negotiated commitments to particular partners, contingencies, and possibilities” (Read et al. 2015, p. 12). New key partners also play a dualistic role of adding to existing resources and adjusting the initial goal of the effectuator (Sarasvathy, 2001; Sarasvathy and Dew, 2005a), which means that, while process continues, means are extended, become valuable resources, and goals are converged (Sarasvathy et al., 2014). Using Uppsala language, while the personal network of relationships is considered a

state variable, networking is considered as a *change* variable, which adds value to existing means and turns them into valuable resources.

The *both* unplanned *and* planned nature of effectuation process (two mechanisms)

The notion of *unplanned* is a frequently used concept in IE research. It refers to the emergent nature of opportunity creation by entrepreneurs (Sarasvathy, 2008), and implies that a firm expands to new markets “without a precise plan” (Kalinic et al., 2014, p: 635). Therefore, pursuing emergent opportunities, “unplanned foreign market expansion” (Kalinic et al., 2014, p: 635), recognition of contingent opportunities (Chandra, styles and Wilkinson, 2015), “non-goal-driven”/mean driven (Chetty, Ojala and Leppaaho, 2015) and “unintended” internationalisation are defined as *unplanned* in this study. In the original effectual formulation, the *Lemonade* principle represented the importance of being unplanned and of welcoming the surprise factor and treating it as serendipity, with which to create new resources (Werhahn et al., 2015). Effectuation in the unplanned sense does not imply that decision-makers are irrational or tend to ignore objective information in their decision making.

In contrast to some scholars’ conceptualisation that effectuation theory is about trial and error in creative activities (e.g. Arend, Sarooghi and Burkemper, 2015), we argue that effectuation theory is not about working without goals (Read et al., 2016). It is an open-ended process in which it cannot be known *ex ante* what will come out of the process *ex post* (Read, et al., 2009; Vahlne and Johanson, 2017; p. 1088). According to this view, entrepreneurs deal with “a flow of ongoing events” in which “continuous change characterises any present situation” (Vahlne and Johanson, 2017, p. 1088). “The effectual process is purposeful, enables experiential learning and is propelled through high-level goals that get shaped and embodied into workable business models and opportunities” (Read et al. 2016a, p. 6). The effectuation process helps to diagnose patterns in real-world entrepreneurial decision-making situations (Dew, Read, Sarasvathy and Wiltbank, 2009; Read et al., 2016a) by applying decision-making patterns that expert entrepreneurs have got from their different experiences (Read, et al., 2009). Experiential learning plays a key role in this open-ended process. Effectuation theory introduces a *both-and* approach, arguing that that applicability of planned approaches, or effectual heuristics, depends on the situation in which an entrepreneur makes a decision (Sarasvathy, 2001; Smolka, Verheul, Burmeister-Lamp, and Heugens, 2016). The theory considers the application of effectual logic in uncertain situations and the importance of causal approaches in lower uncertainty or risk conditions, in which the environment is predictable.

Considering that in real life entrepreneurs deal with a variety of conditions, they might use both logics, or they might start with a logic and later on switch to another logic, considering the conditions they are acting within (Chetty, et al., 2018; Read, et al., 2015; Smolka, et al., 2016).

Effectuation logic and firm performance (Outcome)

It is argued that effectuation logic leads to better performance (Read, et al. 2009a). The roots of this argument lies in the psychology of expert decision makers. According to this psychology, expert entrepreneurs have unique patterns and the capability to recognize and develop new patterns through deliberate practice (Ericsson, et al. 20016; Read, et al., 2009). These entrepreneurs do better in uncertain conditions by applying heuristic decision making through these patterns (Read, et al. 2009). This association between unique patterns and better performance takes place through the crucial logic of affordable loss, which helps with management of failure (Sarasvathy, Menon, and Kuechle, 2013), and the mechanism of partnership in effectuation theory. According to this theory, under uncertainty (in which prediction of future is impossible), effectuators proceed by relying on the logic of control (over existing means) and do not wait for conditions to be improved. They immediately answer the critical question of *what can I do?* under uncertainty by applying the logic of affordable loss. The partnership mechanism then decreases uncertainty by sharing resources, adding foreign market knowledge, internationalisation knowledge, and committing complementary resources to oreign market entry efforts. Through this process, effectuators can proceed and enter foreign markets successfully (Johanson and Vahlne 2009; Harms and Schiele 2012; Evers and O’Gorman 2011).

Against this background and understanding of effectuation theory, we examined existing literature by applying our conceptual framework, which captures the core components of effectuation theory (Figure 1). This framework has an Antecedents, Decisions (mechanism) and Outcomes (ADO) format, and acts as an organising model for our study (Paul and Benito, 2018).

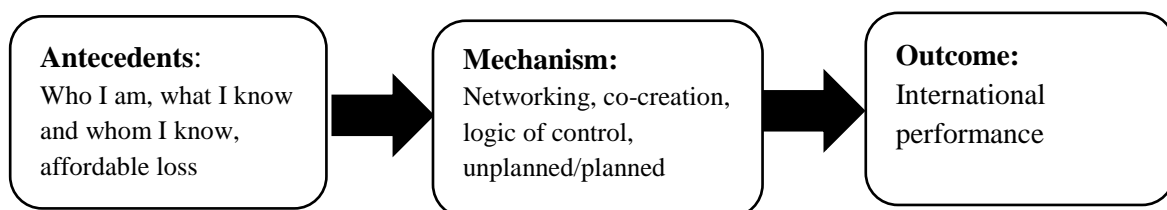


Figure 1. Conceptual framework: existing means, networking, outcomes

Method of research

This study adopts the systematic literature review process suggested by Thorpe, Holt, Macpherson and Pittaway (2005), and Denyar and Tranfield (2009), to gain advantages of transparency, clarity, focus, accessibility, broad coverage and synthesis in its assessment of prior knowledge (Thorpe, et al, 2005). Following this approach, the review process was divided into the three main steps of: planning the review; conducting the review; and reporting the review (e.g. Tranfield et al., 2003). Sarasvathy's definition of effectuation as "processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (2001, p. 245) was adopted to position the review. Following McDougall and Oviatt's (2000) suggestion, internationalisation was broadly defined as "a firm-level phenomenon occurring across national borders" (Hult et al. 2008, p. 1065). Considering that the aim of this research is investigation of effectuation theory in the IE research, we considered internationalisation as a process of opportunity development across national borders (Johanson and Vahlne, 2009; Oviatt and McDougall, 2005). Based on these conceptual boundaries, the inclusion criteria was set (see Table 2.1).

Exclusion criteria was determined in terms of publication type, research quality, and cover period (Mainela, et al. 2014). The chosen databases were Scopus, because of its extensive coverage of business and internationalisation studies, Business Source Premier, and ProQuest (as suggested by Terjesen et al., 2016). In order to find other related literature, an iterative process of checking journal references manually (Walsh and Downe, 2005) was undertaken. The study concentrated on articles published in peer-reviewed journals (Paul and Benito, 2018), and excluded encyclopaedias, conference proceedings, book chapters and business reports due to "variability in peer review process" (Jones, et al., 2011, p. 634), and the quality of peer review process in journals (Mainela, et al. 2014). However, some books and conference proceedings were used as reference points. As the original effectuation paper was published in 2001, articles published between 2001 and 2017 were reviewed.

In the review step, keywords were used to search for papers in the selected databases, applying the exclusion criteria (See Table 1). Due to a broad definition of the key concepts (i.e. effectuation and internationalisation), which includes many subtopics, a broad domain of keywords were used to ensure the search included all possible studies (Terjesen, et al. 2016). Four effectuation and IE scholars were consulted about the selected keywords. The final set of keywords is presented in Table 1.

Table 1: The Process of systematic literature review

Table 2: Sampling criteria for selecting articles

The review process

Articles were filtered by reading the title and abstracts to make sure that each paper was related to effectuation and internationalisation. If the review could not find the aim and findings of the article clearly in its abstract, the theoretical parts of the paper were read to ensure that the articles applied effectuation logic in SME internationalisation (this criterion is applied by Coviello and Jones, 2004; and Jones et al., 2011). The articles were coded initially by the first author, which were then moderated by two co-authors. Cross-comparison allowed agreement to be reached (Terjesen, et al., 2016), and increased the reliability of the analysis. The findings were compared with existing theoretical literature to ensure the external validity (Walsh and Downe, 2000).

After taking these steps, the analysis included 30 articles. We consulted four effectuation and IE scholars to make sure that the selected articles were relevant. For the most part, these articles were published in journals with high impact factors (Podsakoff, MacKenzie, Bachrach and Podsakoff, 2005), with the exception of six articles, which were kept in the journal list due to the limited number of papers in this area. The articles reviewed in this paper are presented in chronological order in Table 3.

Following Coviello et al's. (2011) suggestion, the Walsh and Downe's (2000) meta-synthesis approach was applied for analysis. Three steps were used in the analysis process. Firstly, conceptualisations of related concepts in each study was analysed. Research objectives, questions, theoretical framework, the minor or major role of effectuation theory in the study², method, justification of selected method, geographical/industrial context, influencing factors, and outcomes examined and main findings were considered. Secondly, studies were compared and contrasted to "identify homogeneity of categories/codes/ themes, to note discordance and dissonance" (Walsh and Downe 2000, p. 208). Thirdly, each study's findings was translated into another one to find commonalities, overlaps and refutations between them. Finally, the

² We considered citation as a **major/core** if the study was only built upon effectuation theory: **major**, for papers which used effectuation theory along with other theories and **minor** for papers which did not apply effectuation theory directly, but had some discussion about the theory.

translations were synthesised to show the *big picture* of the literature beyond the summary of existing studies.

Table 3: The reviewed articles on effectuation and SMEs' internationalisation

Findings of the review

The analysis of 30 articles (tables 3 and 4) reveals that most of the published articles are in the area of entrepreneurial internationalisation (type A). There are four comparative entrepreneurial internationalisation (type C) studies, and only one study on the International comparisons of entrepreneurship (type B). From 2009, effectuation theory was applied in IE research by Frishammar and Andersson and Mainela and Puhakka. In 2010, Schweizer, et al. blended the revisited Uppsala model with effectuation theory, and emphasised the entrepreneurial side of the internationalisation process. From 2011 to 2013, 7 articles emerged in related journals. From 2014 till 2017, the stream gained a momentum and 20 articles, including Sarasvathy, et al.'s (2014) article on effectual internationalisation were published (Figure 2.). Since 2009, effectuation has increasingly been applied in internationalisation studies so that internationalisation is now considered one of the four major streams of effectuation research (Matalamäki, 2017).

The findings of this review are reported in terms of our research question of *how international opportunities are developed*. According to the findings, limited resources, networking and unplanned approach are represented as main mechanisms of internationalisation (how) in the extant effectual internationalisation literature. In the following section, we locate the effectuation theory in SME internationalisation, and then summarise and argue the findings of our review regarding three main parts of the original research question.

Figure 2. Number of the effectual internationalisation articles published per year

Effectuation and SME internationalisation

Firms take different approaches to internationalisation. While some firms rely on market research and business analysis to plan their internationalisation, others internationalise through exploration and exploitation of opportunities (Schweizer, et al., 2010). There is also a significant emphasis on planned internationalisation efforts in mainstream internationalisation studies (Frishammar and Andersson, 2009; Schweizer et al., 2010). Nevertheless, some scholars criticise examining just the planned approach, highlighting the importance of entrepreneurial internationalisation (e.g. Galkina and Chetty, 2015; Kalinic, Sarasvathy and Forza, 2014). This approach goes back to internationalisation process theory as a paradigm in

international business (Autio 2005; Mainela, et al., 2014). Here, IE, as a relatively new field, combines entrepreneurship and international business perspectives, and investigates the internationalisation as a process of opportunity exploration and exploitation across national borders (e.g. Chetty, et al., 2018; Coviello, McDougall and Oviatt 2011; Oviatt and McDougall, 2005).

An emerging research stream in IE has started to use effectuation theory to explain the international opportunity discovery and creation by SMEs in the process of internationalisation (e.g. Deligianni, Voudouris and Lioukas, 2015; Galkina and Chetty, 2015; Kalinic et al., 2014). This stream is built upon the argument that due to the unpredictability of the internationalisation environment (Vahlne and Johanson, 2017), SMEs cannot rely on market research, competitive analysis and market planning in their internationalisation efforts. SMEs need to find entrepreneurial pathways to pass national borders (Schweizer et al., 2010). Scholars in this stream argue that shifting from causal to effectual logic helps SMEs to focus on construction versus positioning strategies (Wiltbank et al., 2006) and control the internationalisation process by applying the logic of affordable loss and networking to overcome their liability of outsidership by forming new networks, entering into related network(s), improving their position inside those network(s), and increasing the level of trust and commitment in relationships (Kalinic et al., 2014). This logic helps SMEs to shape the market as a network of relationships (Read, et al., 2009), within which partners share tacit knowledge of internationalisation opportunities (Vahlne and johanson, 2017). Applying effectuation theory in internationalisation studies does not imply ignoring the importance of predictive goal-oriented approaches. Instead, effectuation theory considers the applicability of both effectuation and causation logics in different situations (Read, et al., 2015; Sarasvathy, et al, 2014). As Sarasvathy et al (2014) observed: “while effectual approaches open up and create new markets at low costs of failure, causal approaches can help stabilize and establish leadership in those new markets” (p. 63).

SMEs in effectual internationalisation research

SMEs play the dominant role in the extant effectual internationalisation research. As the review results show, amongst 30 studies, 13 studies are focused on SMEs, and seven studies on small firms, seven studies on INVs and BGs. there is a study with focus on individual level as well (see table 4). This study is about the entrepreneurial intention of students. There are only two studies on large firms, one of which with focus on international joint ventures.

Apart from two studies, the bulk of the literature is focused on small firms and SMEs. As discussed already, effectuation theory is not limited to the smaller firms, rather it is a logic which is applicable to any size of firms regardless of their limited or rich resources (Mainela and Puhakka, 2009; Read, et al. 2015). This focus on smaller firms in the extant literature might signal the dominance of the concept of limited resources as an assumption in the scholars' minds.

Limited resources/affordable loss and internationalisation (Antecedents)

Some of the reviewed studies linked limited resources to the effectual internationalisation of SMEs. Schweizer et al. (2010) and Crick and Crick (2014) argue effectuation as a way to protect the limited resources of SMEs through an emphasis on the downside risk of internationalisation. Crick and Crick (2014) argue that by applying this logic when fail, internationalising SMEs do it with fewer resources invested, and they can de-internationalise with lower cost (p. 431) than when they adopt the causal logic of expected return. From an effectuation perspective this is possible due to applying the logic of affordable loss in decision making (Read, et al., 2015); which simply implies that entrepreneurial firms start with a level of risk they feel comfortable with, and continue trying as many paths as possible with their existing limited resources (Sarasvathy, 2008).

Harms and Schiele (2012) emphasised the limited resources and capabilities of SMEs and the importance of networks in overcoming these liabilities. Kalinic et al. (2014) studied the dynamics of decision-making during the process of SMEs' internationalisation. They considered limited resources, knowledge, and the experience of internationalising SMEs, and emphasised the impact of international networks as resources on increasing the speed of internationalisation. Chetty, Ojala, and Leppäaho (2015) argued that SMEs compensate their lack of resources by leveraging their network links. Galkina and Chetty (2015) observed that entrepreneurs with limited resources network effectually with *interested partners* and enter foreign markets whenever an opportunity emerges in the network.

Some misconceptions regarding resources (Antecedents)

Assumptions about limited resources are either explicit or implicit in almost all articles, except for Evers and O'Gorman (2011), Dutta, Gwebu, and Wang (2015) and Mitter and Hibel (2017) (as presented in Tables 3 and 4). The main argument is that firms use effectual reasoning partly due to a lack of resources. In SME internationalisation, limited resources mainly refers

to limited internationalisation experience and lack of a business plan, which leads to lack of a clear goal in foreign market entry efforts (Kalinic, et al., 2014). Internationalising SMEs, therefore, focus their efforts on recognised opportunities inside the network (s) and limit their search for other potential opportunities (Galkina and Chetty, 2015; Schweizer, 2015).

While limited resources might be a liability for internationalising SMEs, the emphasis on limited resources as a liability in conceptualisation of effectual internationalisation prohibited existing studies from considering the central conceptualisation of being means-driven (whether limited or not) versus goal driven in an effectual sense. By considering limited resources as an assumption, effectual internationalisation studies have confused the argument and have focused on the concept of *resource-constrained* instead of means-driven as a logic in effectual internationalisation process. This could be part of the reason why existing effectual IE scholarship is limited to only resource-constrained SMEs and neglected other SMEs or larger companies.

Networking and internationalisation (Mechanism)

Our review shows the critical importance of networking in the internationalisation of SMEs. Networks, as the main mechanism of internationalisation (Johanson and vahlne, 2009), provide some crucial functions. As our review reveals, networks can help to proactively avoid problems and transform them into opportunities (Mainela and Puhakka, 2009); increase the speed of international commitment buildings (Andersson 2011; Kalinic, et al., 2014); decrease the risk of international operation (Crick and Crick, 2015); provide an important source of knowledge about the international market (Frishammar and Andersson, 2009; Fuerst and Zettinig, 2015); facilitate growth (Gabrielsson and Gabrielsson, 2013); and facilitate entering several foreign markets over a short period (Andersson, 2011). Relying on networks in internationalisation efforts implies that instead of searching a broad market, SMEs look for opportunities inside networks and enter foreign markets as an opportunity emerges in networks (Galkina and Chetty, 2015). Firms pay attention and take the time to identify who inside the network is active in their targeted market (Chetty et al., 2015).

Sarsvathy et al. (2014) considered network characteristics as the antecedents of the internationalisation process. In this sense, networks are considered as important sources of complementary resources and internationalisation knowledge (Fuerst and Zettinig, 2015). Schweizer et al. (2010) focused on improving the position of the firm in a related foreign

network as a mechanism of overcoming uncertainty and entering foreign markets. In the same effort, Crick and Crick (2016) considered the role of networks in reducing risks in the internationalisation process. Mainela and Puhakka's (2009), studied firms' networking activities in international joint ventures (IJV) and observed that managers rely on effectual network relationships in order to enter turbulent markets. Andersson (2011) studied the recognition of opportunities in initial internationalisation process of born globals and explained the role of local network relationships in entering many markets in a short time. He mentions that BGs recognise opportunities as they emerge inside the networks, instead of relying on planning in their internationalisation efforts. Gabrielsson and Gabrielsson (2013) emphasised business networking capabilities as essential in applying effectuation logic successfully. However, as a refutaional case Noblit and Hare (1988) noticed the existing over-emphasis on the role of networking in internationalisation, and noted that networking cannot substitute for technological and marketing capabilities.

Some misconceptions regarding networking

The review reveals while almost all studies have emphasised the networking behaviours of internationalising SMEs, they have focused more on the Uppsala conceptualisation of network by considering it as the mechanism of overcoming the liability of outsidership. More specifically, the function of network in introducing opportunities to members for entering foreign markets which happens through gaining and improving a right position in a related network through trust and commitment building. Reviewed studies seldom considered the basic function of networking as partnership in effectuation theory, as a mechanism of co-creation of a foreign market entry through the process of self-selection and negotiation between stakeholders (Read, et al., 2015). According to the effectuation perspective, an effectuator starts to interact with others with a general aspiration of internationalisation (and not a specific pre-determined market), which leads to *negotiated commitments* to some possible effects between partners and ends up with the control of the risk of an unpredictable internationalisation environment (Read, et al., 2016 b). Put simply, effectuation theory assumes the control as a proxy system, by considering networking as a risk control system and emphasising on self-selection of stakeholders as a process which leads to entering new markets (Dew and Read, 2011; Read, et al., 2015).

The combination of planned and unplanned internationalisation (Mechanism)

An unplanned internationalisation is a frequently used concept in IE literature. (Kalinic et al., 2014). Some of reviewed articles have emphasised unplanned internationalisation of SMEs. Andersson (2011) explained SMEs' internationalisation as a process of pursuing emergent opportunities instead of planning for them. Other studies emphasised the extreme importance of contingencies and being unplanned in the internationalisation process. For instance, Evers and O'Gorman (2011) highlighted that "in no case was the decision to internationalisation the outcome of a deliberate design or a plan" (p. 570). However, 12 studies considered the possibility of both planned and unplanned internationalisation (e.g. Crick and Crick, 2014; Gabrielsson and Gabrielsson, 2013; Sarasvathy, et al., 2014). This is in line with the original effectuation theory, which is not positioned as *all-or-nothing* or a "wholesale replacement for causal/predictive approaches" (Read, et al. 2015, p. 6).

Some studies have associated unplanned and planned approaches with pre and post-entry stages of internationalisation. Findings are contradictory, while some found that entrepreneurs start with a search for information and conduct competitive analyses before entering new markets (planned approach) (e.g., Harms and Schiele, 2012); others found that SMEs open up the foreign market by applying effectual decision making and employ causal logics afterwards to establish themselves in the post-entry stage (e.g. Frishammar and Andersson 2009; Gabrielsson and Gabrielsson 2013; Sarasvathy, et al., 2014). Regardless of the contradictions, these studies considered the sequential interdependence between the planned and unplanned internationalisations in different stages of internationalisation.

Other studies have considered the simultaneity of planned and unplanned internationalisation. For instance, Schweizer (2015) focused on the *how and why* of changing the logic of decision-making during internationalisation process of SMEs. Findings of his study showed that regardless of the stage of internationalisation, both planned and unplanned approaches are used by internationalising SMEs. In the same line, Crick and Crick (2014) examined the aspects of causation and effectuation in SMEs' rapid internationalisation. Their findings revealed that both effectual and causal logics are involved in the planned and unplanned internationalisation of firms simultaneously.

Other studies have associated planned/unplanned internationalisation with the entrepreneur's profile. Harms and Schiele (2012), found that experienced entrepreneurs rely more on unplanned foreign market entries; which is in line with Dew, et al (2009) finding that expert entrepreneurs rely more on effectual decision making in comparison to novice entrepreneurs. Chetty, et al. (2015) observed that entrepreneurs with previous experience and

existing relationships in international markets tend to use unplanned approach to enter foreign markets.

Some misconceptions regarding unplanned approach

Some reviewed studies have produced some inconsistent results with the original effectual formulation of the concept of unplanned. According to effectuation theory, being unplanned (the lemonade principle) is not the matter of relying on unsolicited demands or serendipities; rather it is the matter of welcoming surprises and transforming them into resources (Read et al., 2016a, b). Considering this point may shed more light on the effectual internationalisation research. It implies that being unplanned by itself doesn't mean effectuation. As highlighted in the recent AMR conversation: "Effectuation is not a theory of trial and error" (Read, et al. 2016a, p. 6), "[effectuation] is not restricted to the idea of planning and acting almost simultaneously (as argued in improvisation); nor is it limited to making do with what is readily available (as defined in bricolage)" (Read, et al., 2015, p. 11). Although, effectuators take serendipities and turn them into resources, the main idea is related to the understanding of *control as strategy* versus *control as outcome* in this theory. That is, effectuators leverages existing means which are under their control to control over outcomes and transform means to valuable resources to co-create opportunities (Dew, et al., 2008; Read, et al., 2016a). By doing so, they transform high-level goals to workable objectives through pre-commitment of stakeholders to those goals (Read, et al., 2016 a).

International performance (Outcome)

Performance is considered as a critically important construct in IE research (Zahra and George, 2002). IE scholarship is mainly focused on the international opportunity exploration and exploitation and its influences on firm performance (Coviello, et al., 2011). Five of reviewed articles have considered firm performance. These studies investigated firm performance in terms of international performance (Frishammar and Andersson, 2009); foreign market entry performance (Andersson, 2011); growth and survival (Gabrielsson and Gabrielsson, 2013); and general firm performance (Ahi, Baronchelli, Kuivalainen, and Piantoni, 2016; Laine and Galkina, 2016). Other studies either neglected the impact of effectual internationalisation on SMEs' performance or have talked indirectly about the consequences. In fact most of the studies have focused only on the process of effectual internationalisation (see Tables 3 and 4).

Agenda for future research

This review shows the growing importance of effectuation theory in SME internationalisation. Overall, this review reveals that while effectuation has evolved considerably in the field of entrepreneurship (Read, et al., 2015), its contribution to the IE research has not met its potential and is yet to be increased. Indeed, research on effectual internationalisation suffers from the same problem in general IE scholarship, which is the lack of “definitional rigor” (Keupp and Gassmann, 2009, p. 601) regarding what effectuation theory is. Regarding the central research questions, and the review results, this study proposes new directions in three areas as follows.

Regarding resources

It is important to recalling that in original effectual formulation, Bird-in-hand principle is about being means oriented and starting with existing and accessible means and then transforming them into valuable resources. Considering the recent clarification on the concept of limited resources (Read et al., 2016 a,b), it would be interesting to redefine the concept of *resources* in future research by considering the pragmatist nature of effectuation theory. As suggested by Read et al. (2016a), scholars should define what counts as mean, considering the broad definition of means in effectuation theory, to better conceptualise existing and accessible means for SMEs and other firms. Furthermore, the difference in conceptualisations of means and resources in effectuation theory should be considered. More specifically, the dynamic process of transforming means to valuable resources should be explored (Read, et al., 2009). Focusing on the process ontology of the theory could be useful in explaining this transformation (Vahlne and Johanson, 2017). This clarification and distinction between means and resources helps to better position the theory in RBV literature. While effectuation theory is positioned as a RBV theory, it differentiates itself from the RBV by arguing that means shouldn't be necessary valuable at the beginning of the process; rather the existing means regardless of their initial values turn to more/less valuable resources during the process of effectuation (Read, et al. 2009). Regarding this argument, future research should explain how initial resources turn to valuable resources during the internationalisation process. Future research in this direction should also explore mediation mechanisms that help with this transformation.

Considering the importance of *limited resources* as a driver of SMEs' internationalisation (Mathews and Zander, 2007) and its critical presence in almost all reviewed

articles; taking the effectual perspective to understand the role of limited resources, and how SMEs deal with it in the process of effectual internationalisation, has been insightful. However, future research should recall that limited resources are not an assumption for effectuation theory (Read, et al., 2015). Instead, the process of extending existing resources by accessing partner resources (Hunt, 2000), and transforming them into the valuable resources in SME internationalisation, can add to extant understanding of the theory. Future research can integrate effectuation theory with R-A theory to better explain the process of accessing complementary resources to enable the SME to “produce efficiently and/or effectively market offerings that have value for some market segments” (Hunt and Morgan, 1996, p. 109). For instance, cross-border bundling of resources (Schoonhoven and Romanelli, 2001) by effectuators in different stages of internationalisation process can help IE scholars to better explain the means-driven approach in each stage.

Existing IE research has focused only on SMEs partly due to misconception of limited resources as an assumption for effectuation. Chetty, et al. (2014, p. 825) highlighted that “in line with effectuation logic and resource and time constraints...” linking the effectuation to the limited resources of internationalising SMEs. Having it clarified that this assumption is not true (Read, et al., 2015), future research can apply effectuation theory to explain how larger firms with no liability of limited resources apply the logic of control in their internationalisation efforts, and can compare the application of the theory in both SMEs and large corporation settings. In this direction, future research should invest more on the blended effectuation and Uppsala view (Sarasvathy, et al., 2014; Schweizer, et al., 2010) and consider organisational routines and capabilities as two main resources which evolve as a result of experiential learning during the process of internationalisation (Vahlne and Johanson, 2017). As highlighted by Johanson and Vahlne (2017, p. 1090): “... shared experiences may give rise to routines and capabilities which are at the very heart of incremental change and cooperation and are an essential element of the Uppsala model.”

The concept of affordable loss is highly associated with the concept of resources in effectuation theory. This association can be the subject matter of other studies. Affordable loss is a mechanism through which entrepreneurs while cannot predict the future, manage uncertainty and use existing means to proceed (Read, et al., 2015). Since affordable loss can be a matter of financial, psychological, social, status and reputation cost (Daniel, Di Domenico, and Sharma, 2015), designing research to articulate different dimensions of this multidimensional concept in internationalisation efforts would be interesting. Existing studies have dealt with affordable loss in general and have not dug it down to its different dimensions.

Thus, future research should consider this concept from a pragmatist perspective in explaining how internationalising companies use the logic of affordable loss to proceed and pool their resources. Future research can focus on resource-constrained firms and investigate how these firms overcome liability of limited resources through the logic of affordable loss.

Studying BGs and INVs from means-driven logic and affordable loss perspective can be another avenue. Scholars can investigate how BGs apply the logic of affordable loss to develop and manage networks of relationships across their value chains in different countries to expand their resources and deal with liability of limited resources. Considering the cultural differences between countries and explaining how network partners in value chain with different cultural backgrounds value different dimensions of affordable loss, and share or give-up control over their limited resources, could be an insightful research approach. Some well-known cultural theories and studies, such as Hofstede's framework, The Globe project, or the world values survey (WVS), can provide insights into the conceptualisation of differences between different countries in terms of affordable loss.

Paying attention to the concept of resources and its influence on how internationalising entrepreneurial SMEs select their target country (with regard to psychic distance and entry mode) would make a worthwhile contribution. Considering the importance of information about foreign markets (Kalinic, et al., 2014) and that psychic distance can be the matter of information gap (Harms and Schiele, 2012), shedding light on how entrepreneurs look at information as means and overcome this distance, looks promising. Integrating the concept of psychic distance, as an important construct in internationalisation literature, into effectuation theory can push the theory further. Future research can investigate how effectuators understand psychic distance and consider it as serendipity. Considering the importance of different stages of internationalisation (Gabrielsson and Gabrielsson, 2013; Sarasvathy, et al., 2014), explaining how entrepreneurs expand and transform their extant means into valuable resources in different phases of internationalisation, would be insightful. In particular, as resources are defined regarding identity, knowledge, and networks in effectuation theory (Sarasvathy, 2001), paying attention to these categories in different phases of internationalisation (Musteen, Datta, and Butts, 2014) would provide useful insights for practitioners.

Regarding networking

The second research direction is related to the effectual networking in internationalisation process. Future research should recall that in effectual formulation, networking is

conceptualised as a mechanism of sharing means, and the process of mutual giving-up control over resources. The process through which resources extend and goals converge. Future research can focus on how this process of self-selection of key partners, and negotiated commitment between partners around resources and goals take place. The Uppsala model can provide insights in explaining the trust and commitment building between key stakeholders (Johanson and Vahlne, 2009). Future research can take a step further and investigate how these self-selected partners learn from each other and co-evolve their routines and different capabilities. As highlighted by Vahlne and Johanson: “relevant network partners should be considered to be co-evolving units in any specific research project” (2017, p. 1091).

Future research should consider the behavioural nature of effectuation theory in which actors are assumed to be boundedly rational (Read, et al., and 2015: Vahlne and Johanson, 2017), and apply a “highly adapted set of cognitive skills” to frame the opportunity (Read et al., 2009, p. 7). Considering the emerging attention to behavioural theories and the concept of bounded rationality in international managerial decision-making research (Aharoni, et al., 2011; Vahlne and Johanson, 2017), effectual internationalisation research has not paid enough attention to this concept and behavioural factors, such as entrepreneurial alertness (Tang, et al., 2011), decision making patterns from previous experience (Read, et al., 2009), and the entrepreneur’s socio-cognitive reasoning framework (Eckhardt and Shane, 2003; Liñán and Fayolle, 2015) behind SMEs’ internationalisation decisions. For instance, behavioural factors can be employed to explain the process of formation and evolution of networks in internationalisation process. As argued by Simon (1993, p. 156), networking behaviours can be understood in terms of the concept of bounded rationality which is the matter of being dependent on other people’s “suggestions, recommendations, persuasion and information”. Therefore, scholars should investigate issues such as “partially or fully formed preferences, ambiguous aspirations or clear values, error-prone judgements as well as prescient imagination” (Dew, Read, Sarasvathy, and Wiltbank, 2011) among network members to better explain effectual networking behaviours. Future research can also consider the conceptualisation of resources in effectuation theory which do not assign any value to existing resources at the beginning of the effectuation process (Read, et al., 2009), and investigate how networking process adds or reduces the value of initial resources. To address this issue, scholars can consider firm level path-dependency, heterogeneity, and milli-micro (individual and subgroup) level realism, and managerial intent as suggested by Vahlne and Johanson (2017).

As personal networking is at the heart of effectuation theory (Sarasvathy, 2001), and there is a great emphasis on social networking in early internationalisation (Keupp and

Gassmann, 2009), an interesting avenue for future research would be considering how personal networks are formed among stakeholders, how the initial personal and social networks transform to business networks, and how these types of networks complement each other in the process of internationalisation. This can be seen as a co-evolving process (Vahlne and Johanson, 2017). Future research can thus explore co-optation and the networking activities between competing firms in the internationalisation process as well (Galkina and Lundgren-Henriksson, 2017). The “co-operate to compete” thesis (Hunt, 1997) can provide more insights in this direction. Studying this transformation is vital due to the importance of business networks in internationalisation studies (e.g. Johanson and Vahlne, 2009). Similarly, an interesting research design would be considering effectual networking with focus on the logic of control, and strategic networking with focus on the logic of prediction, as complementary activities (Galkina and Chetty, 2015). In this sense, the comparison of basic logics behind effectual and strategic networking activities would be the main objective. By doing so, IE scholars could answer how a combination of individual (social networking) and firm level (business networking) characteristics may be beneficial for internationalising firms (Keupp and Gassmann, 2009). As suggested by Vahlne and Johanson (2017), scholars can get insights from Winter (2013) on stepping from the individual level of analysis into the organisation level of analysis. In this line, transforming personal networks into business networks in the effectuation process can be “a matter of shared experience with performance attempts, guided in part by deliberate managerial efforts at coordination” (p. 133). Scholars can address how this shared experience can improve organisational routines and capabilities and boost networking capabilities (Vahlne, and Johanson, 2017)

Internationalising SMEs use networks to gain access to resources (Chetty et al., 2015; Fuerst and Zettinig, 2015). It would therefore be interesting to articulate how networks intermediate SMEs internationalisation by providing the necessary resources for internationalising SMEs, and whether there are differences between SMEs’ effectual and strategic networking in this sense. It is an interesting comparison, as, according to the Uppsala model, trust plays a key role in resource sharing, and trust is the matter of learning about each other. The more parties learn about each other, the more they develop mutual commitments and trust in between (Johanson and Vahlne, 2009). Comparing effectual networking with strategic networking can be insightful in this sense. Resource provision should be considered in the effectual framework, and explained in terms of sharing or giving-up behaviours between network stakeholders. In this regard, future research should investigate different layers of stakeholders’ equity in partnership, “from emotional and psychological ownership to

contractual negotiations for compensation and decision rights” to explain what outcomes maybe co-created inside networks (Read, et al., 2016a, p. 7).

Since effectuators network at the individual level, as suggested by Galkina and Chetty (2015), focusing on the individual level may provide a better understanding of the networking behaviours. Scholars can pay more attention to the entrepreneur’s identity as one of the principal means emphasised by effectuation theory (Sarasvathy, 2001) to account for entrepreneurial elements in SMEs’ internationalisation behaviours, which remains as a major concern in studies with SMEs as level of analysis (Coviello, et al., 2011). Kalinic et al. (2014, p. 645) emphasised this avenue by asking for more attention to “decision makers’ personal characteristics, educational background, and their working experience”. Scholars can study the impact of the entrepreneur’s identity, including their “value system, beliefs, intentions and aspirations” (Read et al., 2015, p. 11) and habits (Reuber, et al., 2016) on their international networking behaviours. This research direction would contribute to a better understanding of the personal means in effectuation theory.

Regarding *both* unplanned *and* planned internationalisation

The third research direction is related to the unplanned approach to internationalisation. Future research should recall that effectuation is not about ignoring the logic of prediction and planning (Read et al., 2015). According to effectuation theory, the key issue is not which logic of decision making is right or wrong, but which logic is more useful under what conditions of risk/uncertainty. This *both-and* nature of effectuation theory (Read, et al., 2016 b) can provide insightful results in IE research. As stated clearly: “the new market that gets created, therefore, may just as likely be a consequence of the transformations undertaken by the participants to the process, as it may be an antecedent goal driving the process” (Dew, et al., 2011, p. 237). Future research will contribute to the effectuation theory by integrating two logics and emphasising contingencies instead of inevitabilities of each logic (Sarasvathy, et al., 2003). Thus, considering the dual relationship between planned and unplanned internationalisation (Chetty, Karami and Martin, 2018), instead of applying dualistic either/or approach, can provide more realistic explanation of SMEs’ internationalisation efforts (Matalamäki, 2017). While this duality is emphasised by the theory (Read, et al., 2015), it still needs to be empirically tested in the IE research. This approach could provide a more realistic picture of international opportunities as the subject matter of IE research. As started by Venkataraman et al. (2012), opportunities may be of different types: some existing easily discovered, some

existing and not so easy to discover, and some yet non-existent. Chetty, et al's (2018) study on the duality of international opportunity discovery and creation can provide some insights in this direction. They investigated the dual interrelations between discovery and creation opportunities at different levels in small firms' FME. This duality approach is in line with Farjoun's (2010) discussion about the importance of considering the duality of stability and change in organisational research.

In this vein, conducting further research on the way that effectual entrepreneurs use business and marketing plans in different stages of their internationalisation efforts would be worthwhile from a practitioner's perspective. Effectuation theory has a pragmatic view of business plans. According to this theory, business plans are not useful tools (as plans) under uncertain internationalisation environments., Rather, business plans are considered as means which can assist effectuators for instance to market their initial idea to potential stakeholders (Read, et al. 2016 b). Gruber's (2007, p. 782) findings on the importance of considering founding environment and having an *adaptive toolkit* approach to business planning, can be useful in terms of comparing planned/unplanned internationalisation and reconceptualising the concept of *unplanned*. Another useful lens with which to view this issue could be the contingency-based business planning. Researchers can "utilise Piaget's concept of equilibration", to assess how internationalising entrepreneurs use cognitive tools of decision making to stay flexible in uncertain environments (Honig, 2004, P. 258). Piaget's theory considers learning as an evolutionary process, called *structural evolution*, which results in adult cognition. Piaget's structuralist approach can explain the multifaceted interrelationships of individual, social and organisational learning" (Honig, 2004, P. 262). This lens obviously is in line with the process ontology of effectuation theory, and can explain the critical element of experiential learning in this theory and link it to business planning in internationalisation process. This direction can bridge the planned and unplanned nature of the effectual internationalisation. Furthermore, future research can investigate the transformation between planned and unplanned internationalisation across different conditions and stages of internationalisation. Scholars can refer to Welter and Alvarez's (2015) article on transformation between creation and discovery opportunities, which explains theoretically how creation and discovery opportunities transit to one another.

Considering the pragmatist nature of effectuation theory, another novel perspective in this vein can be considering the influence of different factors on creative and habitual behaviours of internationalising entrepreneurs (Reuber, et al., 2016). While creative actions are related to the agency of entrepreneurs in their internationalisation efforts, habitual actions

have their roots in entrepreneurs past life and experiences which shape their habits and understandings. Indeed, entrepreneurs always move between habitual and creative actions (Gross, 2009). Future research can consider the association between habitual actions and unplanned internationalisation, or the duality of habitual/creative actions (Reuber, et al., 2016) and its association with planned/unplanned internationalisation. Scholars can apply Glăveanu's concept of *habitual creativity* as “the intrinsically creative nature of customary action” (Glăveanu 2012, p. 78) to reflect how habits of entrepreneurs calibrate to dynamics of internationalisation, to explain the unplanned nature of SMEs' internationalisation. These habitual/creative actions can be linked to the patterns of decision making that effectuators store from previous experiences and apply to make their decisions under uncertainty (e.g. Read, et al., 2009; Matalamäki, 2017)

Regarding international performance

Regarding the critical importance of performance in IE scholarship (Jantunen, Puumalainen, Saarenketo, and Kyläheiko, 2005; Jones, Coviello, and tang, 2011; Zahra and Garvis, 2000), future research should consider the association between effectual internationalisation and firm performance. IE by definition is about developing international opportunities to gain competitive advantage, create value, and create goods and services (McDougal and Oviatt, 2000; 2005). As this review shows, except for 11 studies which consider firm performance, existing effectual internationalisation research hasn't paid enough attention to the international performance of SMEs.

Firm performance gains a critical importance in the SME internationalisation due to the uncertainty of the environment (Hult, et al., 2008). According to effectuation theory, experienced entrepreneurs are more likely to consider affordable loss in coping with uncertainty (Read, Song and Smit, 2009), and spend their time in domain-specific deliberate practice to achieve higher performance (Read, et al., 2009, p. 8). The association between applying affordable loss heuristics and performance is not clear yet (Dew, et al., 2009). Future research can consider different principles of effectuation theory and adopt different approaches to address this question. For instance, scholars can take Miller's (2007) idea about how entrepreneurs cope with uncertainty by applying the logic of affordable loss and how their identity, values, preferences, and emotions moderate this process (Dew, et al., 2009). Research can associate habitual actions (as means) of entrepreneurs with application of affordable loss heuristics in dealing with uncertainty, and its impact on international performance.

The importance of networks on internationalising firms' growth and survival should be more elaborated. Studying the impact of co-creation process within network of stakeholders on venture's performance is a black box yet (Read, et al., 2016a) and needs to be explained in IE area. In this effort, future research should consider the main function of networking activities in effectuation theory in terms of extending key partners' resources and converging goals. Explaining the impact of the process of self-selection of partners and the building negotiated commitments between key partners on venture's international performance can be insightful research direction. Researchers can consider Vahlne and Johanson's (2017) suggestion to investigate the co-evolution process of networks at individual, milli-micro, and macro levels.

Future research should consider the proximity of the effectuation theory into RBV and Resource-Advantage theory (Hunt, 2000), and the dependency of firm international performance to the managerial intent and actions taken by others within networks (Vahlne and Johanson, 2017, p. 1090). In this vein, studies can investigate how networking activities at different levels can provide comparative advantages which in turn leads to the competitive advantage and superior financial performance (Hunt, 2000; Read, et al., 2009). Considering the consequences of applying both planned and unplanned approaches (Crick and Crick, 2014) on the performance of internationalising SMEs, would be an interesting research direction. Scholars can take a strategic management perspective and investigate the influence of unplanned, planned and dual internationalisation on gaining competitive advantage. Applying a strategic management perspective is important because IE by its very definition is about developing international opportunities to gain competitive advantage (George and Zahra, 2002). IE scholars can get ideas from strategic entrepreneurship scholarship to answer questions about the relationship between opportunity exploration and exploitation (Keupp and Gassmann, 2009), and its impact on SMEs' international performance. As concluded by Chetty et al. (2015), we cannot be certain yet that applying either planned or unplanned approaches will lead to successful internationalisation. Therefore, we need more research to determine either the unplanned/planned approach to internationalisation or the dual approach to internationalisation boosts the SMEs international performance. Explaining the exploitation of developed opportunities and the impact on firm performance can contribute to the effectuation theory as it is more focused on the creation of opportunities and has not explained the exploitation of opportunities.

Final suggestions: Contextualisation of the theory

Contextualisation is defined as “linking observations to a set of relevant facts, events or points of view that make possible research and theory that form part of a larger whole” (Rousseau and Fried 2001, p.1). Considering that entrepreneurs’ behaviours take place in specific contexts that enable or constrain some specific behaviours, contextualisation of [effectuation] theory would be critically important in answering “how, by whom, and with what effects” question (Shane and Venkataraman, 2000; Zahra, Wright and Abdelgawad, 2014). The context in which the SME is embedded influences the decision making policy (Shepherd, 2011). Context or setting, therefore, should be described clearly so that readers can associate findings of research to their own settings (Jones et al., 2011; Liñán and Fernandez-Serrano, 2014). Considering the call for empirically testing the influence of context in future effectuation studies (Read, et al., 2015; Reuber, et al., 2016), the importance of international comparisons of entrepreneurship (type B); and comparative entrepreneurial internationalisation (type C) in IE scholarship, future research on effectual internationalisation can focus on contextualisation of effectuation theory. Future research should focus on cross-country research (type B) on entrepreneurship, entrepreneurs, networks and relationships, macro entrepreneurship, and cross-culture research on organisational issues such as network development and organisational performance antecedents. Studies can combine these to levels of analysis “using both culture and country-level analysis” (Jones et al. 2011, p. 637). Scholars can build on Koellinger’s (2008) study who has compared distribution of imitative and innovative entrepreneurship across 30 different countries.

The extant literature currently has a certain geographical focus and context: As shown in Figure 1, there are 26 studies in Europe, including 13 studies only in Scandinavian countries, and only 7 non-European countries, including only one China and one India. Studies in other countries are therefore needed, and “such studies may provide important steps to our understanding of how a theory can be extended to explain situations that have not been considered in the initial development of the theory” (Cuervo-Cazurra, Andersson, Brannen, Nielsen and Reuber, 2016, p. 889). In this line, considering the contextual differences between the West and East can be insightful. Emerging economies have started to challenge the position of west in the global industry and its underlying managerial and business perspectives and philosophies. Therefore, future research can concentrate on these differences “in terms of institutions, philosophies, and cultural values” (Barkema, Chen, George, Luo and Tsui, 2015, p.461). Formal and informal institutions are crucially important in internationalisation efforts (Vahlne and Joanson, 2017). According to Barkema, Chen, George, Luo and Tsui (2015),

issues such as state control, one party systems, corruption, enforceability of law, regulatory policies as formal institutional issues, and being relationship centred (trust, relational governance, and informal institutional issues) can make remarkable differences in Eastern countries in comparison to Western countries. Scholars can consider cultural differences such as individualism-collectivism and high-context versus low-context cultures to address the cross cultural difference as well.

IE scholars can take different dimensions of entrepreneurial context, including temporal, spatial, industry, organisational, governance, ownership (Zahra, et al., 2014), personal interactions, social settings, material and cultural resources (Kitching and Rouse, 2017). Future research should consider these contextual factors to investigate effectuation theory and its principles in different settings. Besides, this will shed more light on contextual factors which enable or disable different effectual players (“by whom”) in their internationalisation efforts. This research can contextualise different stages of the research process, including “question formulation, site selection, measurement, data analysis, interpretation, and reporting” (Rousseau and Fried 2001, p.1).

The importance of contextualisation of effectuation is due to its pragmatist nature including its psychological realism and economising advantages (Wiltbank et al., 2009). Studies can take a novel perspective and try to find out if there is anything in new settings suggesting the [effectuation] theory shouldn’t work under those specific conditions, which may entail some changes in the boundaries of the theory (Cuervo-Cazurra, Andersson, Brannen, Nielsen, and Reuber, 2016; Whetten, 1989). Furthermore, employing counterfactual analysis to reveal which other courses of action could have occurred in each internationalisation case, but did not occur, may shed more light on the internationalisation process and provide more practical insights for SMEs (Sarasvathy et al., 2014).

However, researchers should be careful with selecting contextual factors in their studies. As it is possible to have *infinite number* of contextual factors, scholars should justify their selected factors by grounding them in effectuation theory (Bamberger 2008).

Figure 2. Effectual internationalisation studies in different geographical contexts

Conclusion

This study reveals increasing application of effectuation theory in SME internationalisation. There is a growing body of research applying effectuation logic to explain

the process of international opportunity discovery and creation by internationalising SMEs. These studies consider the unplanned nature of SMEs internationalisation, which take place with limited resources and networking as the main mechanism. This review identifies that, application of effectuation theory in internationalisation studies is fragmented, and there are considerable gaps in explaining the antecedents, process, and outcomes of effectual internationalisation of SMEs. These identified gaps inform future research in this area.

Applying effectuation theory can make considerable contributions to the internationalisation studies and practice and policy making by explaining the path, process, pattern and pace of SMEs' internationalisation. From research perspective, effectuation theory can improve the understanding of antecedents, processes and outcomes of SMEs internationalisation. This can be extended to INVs, and BGs with considerable impact in the world economy. From practice perspective, effectuation theory can shed more light on the process of successful foreign market entries with focus on the existing resources. Effectuation theory can provide insights for entrepreneurs to rethink their existing personal networks and building trust and commitment to manage the uncertainty and co-create internationalisation opportunities. From a policy perspective, it can provide better understanding about internationalising SMEs success and failure factors. More specifically it can provide insights regarding institutional settings which are critically important in successful internationalisation of SMEs. This knowledge can be particularly important for countries with great reliance on SMEs in their economies.

As the birds continue the journey to create their bird-king of opportunity through networking, building trust and commitment and learning from experience, we hope this work will encourage further academic progress. IE and entrepreneurship scholars who continue networking, building trust and commitment and learning from each other will ask better questions and make strong contributions to both effectuation theory and IE research.

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