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人為網絡及商業網絡對開發海外新市場機會的影響：

以台灣中小企業為例

The Impact of Social Networks and Business

Networks on Opportunity Recognition: An Empirical

Examination of SMEs in Taiwan

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這篇論文的完成代表在國貿所兩年的時光將要畫下完美的句點。心中充滿感動與不捨之際，回首兩年點點滴滴，我知道這將是我最珍貴的回憶，及繼續前進的動力。

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Abstracts

Internationalization is an important route through which new-and-small ventures could realize their growth potential. Yet little is known about the methods used by entrepreneurs for opportunity recognition. Acknowledging opportunity recognition as being central to entrepreneurship, a key question is: Why and how do some people and not others discover and exploit these opportunities? The standard answer to this question is that opportunity recognition is influenced by entrepreneurs' participation in social and business networks.

This study uses qualitative method and conduct deep interviews with five of Taiwan's SMEs. The result of the interviews provides several implications for the study. First, this study explores the relationships between networks and opportunity recognition including social and business networks, and finds out that both social and business networks have positive effects on opportunity recognition.

Second, this study discovered several moderating factors affecting the relationships between social and business networks and opportunity recognition. From deep interviews, I found out that the moderating factors include exporting countries, contract manufacturing type, and agent usage. I discussed the conditions under which social or business networks are more effective.

From the qualitative data, I conclude that when the company exports to Asian countries, social networks have stronger impacts since Asian countries rely more on personal relationships or the so-called "Guan-xi"; if the company has its own brand, social networks may have stronger impact for opportunity recognition; with the usage of agents, business networks are more influential since agents may bring products to trade shows or exhibitions and therefore facilitate the process of business networks.

Key words: Social networks, business networks, opportunity recognition

摘要

對於中小企業來說，國際化是促進企業成長很重要的方式之一。然而，很少有研究觸及中小企業開發海外新市場機會的方式。開發海外新市場機會對發展創業家精神來說是很重要的，但我們必須問一個問題：為什麼是某一些企業而不是另一些企業能發現並且利用這些新機會？答案是：開發海外新市場機會受到企業主是否採用人為網絡及商業網絡的影響。

此項研究利用質化方法並與五家台灣的中小企業進行深度訪談。訪談結果有以下幾點：首先，此項研究探討人為網絡及商業網絡與開發海外新市場機會的關係並發現人為網絡及商業網絡對開發海外新市場機會都有正向影響；第二，此研究也從訪談中發現幾項影響兩者關係的中介變數，包括出口國家、委託生產類型（OEM、ODM或OBM）及是否使用代理商，因此可探討在何種中介變數影響下人為網絡或商業網絡較為有效。

由質化資料的整理，本研究的結論為當公司的出口國家大多數為亞洲國家時，人為網絡的影響較商業網絡大，因亞洲國家較依賴人為交情與「關係」。若公司的委託生產類型為OBM，也就是有自己的品牌時，人為網絡的影響也比商業網絡大，因本研究訪談對象皆為台灣中小企業，品牌效益較弱且知名度也較為不足，況且發展自身品牌對於參展時較無幫助，參展時客戶多是要找尋專業代工廠而非品牌商，若要推廣品牌產品還是透過人為網絡效果較好；若公司有採用本國或外國代理商時，商業網絡的影響較人為網絡大，因代理商有業績壓力會積極將產品帶去各地參展，強化商業網絡的建立。

關鍵詞：人為網絡、商業網絡、新機會的探尋

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Chapter 1. Introduction

1.1 Motivation & Background

Internationalization is an important route through which new-and-small ventures could realize their growth potential (Pangarkar,2008). International entrepreneurship is fundamentally captured in the recognition and exploitation of opportunities for international change. Yet little is known about the methods used by entrepreneurs for opportunity recognition. Traditional models of firm internationalization routinely attribute expansion decisions to the perception of foreign market opportunities, but how these opportunities come to be recognized and exploited is rarely addressed. (Ellis,2011)

In the international entrepreneurship research the social networks are considered to be one of the most important factors in the process of internationalization (Andersson, 2000; Kiss, Danis, 2008). It helps to take decisions to go abroad and facilitates the process of finding new international partners (Holmund, Kock, 1998). Social networks provide necessary information and contacts (Welch, 2004). Entrepreneurial firms have to rely more on the social networks and personal contacts in the internationalization process comparatively with large companies as a result of their limited financial and human resources (Musteen, Francis, Datta, 2010).

Drawing on insights from social network theory and entrepreneurship research, we can infer that the recognition of international exchange opportunities is a highly subjective process, shaped by entrepreneurs' existing ties with others. In other words, acknowledging opportunity recognition as being central to entrepreneurship, a key question is: Why and how do some people and not others discover and exploit these opportunities? The standard answer to this question is that opportunity recognition is

influenced by entrepreneurs' participation in social and business networks. (Aldrich & Zimmer, 1986; Coviello & Munro, 1997; Johanson & Mattsson, 1988; Loane & Bell, 2006; Meyer & Skak, 2002; Mort & Weerawardena, 2006; Sharma & Blomstermo, 2003; Singh, 2000). In the current global environment, leveraging social and business contacts has become essential in exploring and exploiting prospects for growth and success in the market place (Elena Vasilchenko & Sussie Morrish, 2011). Prior research focused on the relationship between networking (both social and business networks) and opportunity recognition; however, this study discovers the moderating factors influencing the relationship between networking and opportunity recognition as well as points out the contingency that under what condition, social network or business network may have stronger impacts.

And despite the significant number of researches that focus on the networking influence on the internationalization process, there is a lack of research on the internationalization of small and medium size enterprises in Taiwan. Nevertheless, it should be assumed that the process of internationalization of companies from Taiwan will differ from the experience of other countries. Networks may be especially important at the very beginning stage of internationalization when a domestic entrepreneurial firm has no experience of international business relationships and has to solve various problems of searching new partners, negotiating and making contract at the first time. This study is going to take Taiwan's SMEs for research context and discuss the impact of social and business networks on opportunity recognition.

1.2 Research questions

This study tends to explore whether social and business networks have impact on opportunity recognition by deep interviews with several SMEs in Taiwan. Through the interviews, the other goal is to find out the moderating factors and the factors that affect the choice between social and business networks, or under what conditions the usage of social or business networks has stronger impacts. The research questions are as follows:

- (1) Do social networks and business networks have influence on opportunity recognition?
- (2) What are the moderating factors that affect the relationships between social and business networks and opportunity recognition?
- (3) Under what contingency are social or business networks more effective?

1.3 Research context- small and medium sized enterprises in Taiwan

SMEs are the main factors for economic growth in Taiwan, and most SMEs take oversea market development as a main part of company's business. Five of the companies that I interviewed all develop oversea business and continuously explore foreign markets. Besides, these five companies are manufacturer; some of them have their own brand, while others take OEM orders.

I didn't confine company's type of industry; in this way, I can compare different conditions among different types. The companies that I interviewed include machinery and equipment manufacturing, plastic products manufacturing, paper products manufacturing, medical equipment manufacturing and leather products manufacturing. I could compare the usage of networks among different industry and find out the moderating factors among them.

1.4 Overview of the research process

As the proposition of research questions defines, this study discovers the relationships between social and business networks and opportunity recognition and finds out the moderating factors influencing the relationships between them; besides, it also points out the contingency that under what condition, social network or business network may have stronger impacts. In the following chapters, I will discuss the research questions to tease out the true impacts. The research procedure is shown in the table below.

Chapter 1 Introduction	Chapter 1 introduces the research motives. Then based on the research background, I define the research questions.
Chapter 2 Literature review	Chapter 2 presents the relative literature on social and business networks and the relationships between networking and opportunity recognition.
Chapter 3 Methodology	Chapter 3 shows the research method and the data collection procedure.
Chapter 4 Integrated model and proposition	Chapter 4 uses the data to establish a conceptual model and then states the propositions.
Chapter 5 Discussion and contribution	Chapter 5 concludes the findings of this research and proposes the managerial implications.
Chapter 6 Limitation and future research	Chapter 6 presents the limitation of this research and suggests future research directions.

Table 1-1 Research process (developed by this study)

Chapter 2. Literature Review

2.1 Network approach discussion

2.2.1 Network perspectives

Although marketing scholars have recognized the significance of networks (Anderson, Hakansson, and Johanson, 1994; Sharma and Johanson, 2003), network research has received more attention in both international business (e.g., Axelsson, 1992; Bartlett and Ghoshal, 1991; Johanson and Mattsson, 1988) and entrepreneurship (e.g., Aldrich and Zimmer, 1905; Larson and Starr, 1993). Analysis of networks later received attention among international entrepreneurship researchers that emphasized the value of network theory in the search for an explanation for the accelerated internationalization of some firms (Elena, Vasilchenko & Morrish Sussie, 2011).

International entrepreneurship's general interest in networks and relationships is first highlighted by Coviello and Munro (1995, 1997). They map network patterns to show that foreign market entry and the modes used by entrepreneurial ventures are often a reflection of the firm's network ties. Strong international business networks have also been identified by Oviatt and McDougall (1995) as one of the most important characteristics of global start-ups. Besides, Oviatt and McDougall (1994) argue that the existence of network structures is one of the most powerful resource-conserving alternatives to internationalization. From a different but related perspective, the network is argued to be a more appropriate and efficient means of coordination than are the firm or market (Casson, 1997), while Zacharakis (1997) applies transaction cost economics to discuss the entrepreneurial firm's use of foreign export agents, highlighting the asymmetry of such relationships. These benefits may include, among others, greater prospects for identifying global opportunities for a

particular innovation and enhanced access to resources needed to enable entry into international markets (Chetty and Wilson,2003; Elfring and Hulsink,2003).

To a typical financially constrained entrepreneurial firm, a network exchange structure offers an opportunity in which resources can be gained without incurring large investments, providing a way to maximize adaptability to its environment (Larson,1992). Opportunities arising from social and business networks have been explicitly acknowledged by the proponents of the network perspective of internationalization (Elena Vasilchenko and Sussie Morrish, 2011).

2.2.2 The social network perspective

Importantly, the social network literature provides a rich discussion of the concept of embeddedness (Granovetter, 1985) and argues that economic behavior is embedded in a social context or in a network of relationships. The social network research also considers political, cultural, economic, and technological development as exogenous influences on both individual and interorganizational levels of cooperation. In this perspective, a specific environment is understood to “constitute an opportunity structure containing a resource pool uniquely suited to organizational forms that adapt to it or help shape it” (Aldrich & Zimmer, 1986). At the same time, social network research recognizes endogenous influences such as efforts by the focal firm to access resources by structuring relationships in an efficient manner. Koka, Madhavan, and Prescott (2006) refer to this as purposeful network action.

Of particular interest in the social network tradition are studies on the networks of individuals. In such studies, the social network approach uses the formation and dissolution of ties to measure network change, and analysis is focused on structural characteristics such as network size, density, or the position of actors in the network. This enables an understanding of (for example) the potential for innovation or the

identification of power bases for information control and brokerage (Ahuja, 2000, for an empirical example).

Overall, the social network literature generally emphasizes the identification and measurement of tie and network characteristics to understand the influence of structural change. This means that if we apply Van de Ven (1992), a common interpretation of process in this type of research is one that examines how variables change over time. The social network literature also tends to view process as a logic to explain causation. Importantly, even the stream of research that connects the dyad with the network tends to focus on structural analysis with a positivist lens. For example, although Uzzi (1996) considers how ties become embedded in the apparel industry, his primary interest is to assess the impact of ties on economic performance. Further, his general approach to research considers only one actor in the dyad and is cross-sectional rather than longitudinal. This leads us to an alternative approach to understanding networks: the business network perspective.

2.2.3 The business network perspective

This focus on connected change allows for business network researchers to study transformation within networks. They do so by investigating the concept of “interaction” between parties, where relationship development is conceptualized as interaction (rather than action) between independent firms or actors. Relationship development and transformation are therefore believed to be reciprocal and dependent on the expectations of both parties regarding their future interactions (Hakansson & Snehota, 2006). Further, relationship development increases each actor’s knowledge and helps them create realistic expectations of one another (Selnes & Sallis, 2003). In this sense, the network is understood to coevolve with the relationships that form it, and experiences from one relationship are transferred to another in the network

(Håkansson, Havila, & Pedersen, 1999). This highlights the interplay between dyads and the overall network.

As Johanson and Mattsson (1994, p. 325) note, research in the business network tradition “emphasizes dynamic, individual and interconnected exchange relationships within systems that contain interdependencies of both a complementary and a substitutive nature.” Accordingly, business network research takes the position that the network structure is never stable. That is, “it is a structure with inherent dynamic features, characterized by a continuous organizing process” (Håkansson & Snehota, 1995, p. 271). Even if network patterns appear static, the business network perspective recognizes that existing relationships can change their content and strength. That is, change occurs within relationships.

To summarize, the business network perspective focuses on understanding how to establish, build, and maintain or change relationships to create a position within a network. This signals the connection between various levels of the network. Further, the business network approach is focused on how relationships change and why change occurs (unlike social network research). Thus, compared with the methodologies prevalent in social network studies, those in the business network tradition are generally more case-based in nature. While analysis of network structure is not paramount, an understanding of all potential relationships is considered relevant (including their history and role), and the focus of analysis is on the interaction between actors.

The comparison of two kinds of approach is shown in the table below:

<i>Research Dimension</i>	<i>Primary level of analysis</i>	<i>Network type</i>	<i>Network management</i>	<i>Endogenous and exogenous influences</i>	<i>Tie characteristics</i>	<i>Network and tie change</i>	<i>Assessment of tie or network influence on performance</i>
<i>Social network perspective</i>	Studies patterns of whole networks of individuals or organizations, occasionally including dyads.	Considers individual, intra- and inter-organizational networks; defined borders.	Considers tie and network formation as calculative, thus assuming some ability to intentionally manage the network within the constraints of the environment.	Exogenous influences or external intervention can impact network structure but actors seek to form a beneficial network.	Emphasizes tie existence and tie strength. Distinguishes between social and economic ties.	Assesses how the addition or deletion of ties impacts network structure.	Assesses network structure for efficiency, with insight on how the network impacts firm growth and other outcomes.

<p><i>Business network perspective</i></p>	<p>Focuses on dyadic interaction (specific inter-organizational relationships within the broader network) but argues it is possible and necessary to understand the mutuality of tie and network development.</p>	<p>Considers inter-organizational networks based on dyadic ties (both formal and informal); borderless.</p>	<p>Considers networks as non-hierarchical multiplex adaptive systems, where actors are simultaneously involved in on-going network management.</p>	<p>Distinguishes between three levels where the network is exogenous to the entrepreneur or firm and the enacted context is exogenous to the network. Endogenous influences occur at the level of the firm and network, and are always present.</p>	<p>Considers multiplex characteristics: tie content, tie intensity, tie reciprocity, positive and negative ties, tie duration, sleeping ties.</p>	<p>Follows relationship development to understand change within relationships as well as across relationships and the impact of change on the wider network.</p>	<p>Appraises positive and negative aspects of ties with regards to firm and network development. Longer-term ties considered essential and efficient for the firm and stabilizing for the network.</p>
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Table 2-1 Comparing the Two Perspectives of Network Research (Susanna Slotte-Kock & Nicole Coviello, 2009)

2.2 Exchange and international entrepreneurship

The basis of value creation is exchange. Exchange may be internalized within firms or conducted in open markets, but when any buyer and seller exchange something they need or want, the usual result is that both are better off. However, the exchange process may be impeded by some obstacles such as geographic, cultural and other forms of distance. Overcoming these barriers and making a market where none previously existed requires an act of entrepreneurship.

Finding and negotiating an exchange agreement with a new customer in a new foreign market bears all the entrepreneurial hallmarks of opportunity discovery, evaluation and exploitation (Shane & Venkataraman, 2000). The opportunity – in this case the potential to exchange valued goods and services among partners located in different markets – can be said to be entrepreneurial when it involves the creation of new means-ends relationships (Kirzner, 1997).

The entrepreneurial aspects of making markets by creating exchanges have largely been neglected in preference for other forms of entrepreneurship. This neglect is particularly evident in the evolution of international entrepreneurship research, which was originally conceived to explain the existence of firms that are international from inception (Oviatt & McDougall, 1994). Oviatt & McDougall (2005) recently revised their definition of international entrepreneurship to encompass opportunity discovery and exploitation culminating in the creation of “future goods and services.” The definition may be too narrow since it excludes the Schumpeterian innovation. Innovation arises not just from the creation of new ventures, goods or services but also from the matching of existing goods and services with existing, unmet needs in new markets. Therefore, international entrepreneurship can be more broadly defined in terms of those “behavioral processes associated with the creation and exchange of

value through the identification and exploitation of opportunities that cross national borders” (Styles & Seymour, 2006). Therefore, the exchange-based definition comprises the rapidly internationalizing firms of Oviatt and McDougall (1994), the future goods and services of Oviatt and McDougall (2005), and Schumpeter’s innovation theory (1934).

With its emerging emphasis on cross-border exchange, international entrepreneurship can be distinguished from traditional theories of internationalization (Autio, 2005). Traditional models of internationalization assume expansion patterns that are incremental and inhibited by uncertainty (Johanson & Vahlne, 1977) but, seen from an international entrepreneurship perspective, firm internationalization is typically rapid and opportunity driven (Zahra, Korri, & Yu, 2005). As a result, the chief distinguishing characteristic of international entrepreneurship research is the emphasis given to the entrepreneurial recognition and exploitation of opportunities (Dimitratos & Jones, 2005; Styles & Seymour, 2006; Zahra et al., 2005).

2.3 Networks and opportunity recognition

2.3.1 International opportunities

The definition of “international opportunity” is the chance to conduct exchange with new partners in new foreign markets. As entrepreneurship cannot be inferred unless opportunities are actually exploited, for all intents and purposes the only meaningful opportunity is the one that leads to the formation of a new international exchange. If there is no exchange, nothing has been risked, and there is no entrepreneurial activity to observe. (Ellis, 2011) The distinguishing characteristic is not the type of partner involved, but whether the exchange venture itself is unprecedented. By definition, an innovative act cannot repeat an earlier act (Baumol, 1993). While the firm’s first foray into a new market clearly qualifies as entrepreneurial, subsequent entries into the same market – even if they involve new exchange partners – are less so. Thus the formation of exchange agreements with new partners in new foreign markets constitutes strong evidence of market-making entrepreneurship.

Acknowledging opportunity recognition as being central to entrepreneurship, a key question is: Why and how do some people and not others discover and exploit these opportunities (Venkataraman, 1997)? The standard answer to this question is that opportunity recognition is influenced by entrepreneurs’ participation in social and business networks (Aldrich & Zimmer, 1986; Coviello & Munro, 1997; Johanson & Mattsson, 1988; Loane & Bell, 2006; Meyer & Skak, 2002; Mort & Weerawardena, 2006; Sharma & Blomstermo, 2003; Singh, 2000). Social networks are distinguished from business networks primarily by the level of analysis: a social network is the sum of relationships linking one person with other people (Burt, 1992), whereas a business network is normally described as a set of relationships linking one firm with other

firms (Easton & Hakansson, 1996; Johanson & Mattsson, 1988). Social networks involve those that are developed from personal relationships, whereas business networks are those that involve some form of economic exchange (Elena Vasilchenko & Sussie Morrish, 2011).

2.3.2 Social networks and opportunity recognition

Key for understanding entrepreneurs' networking is the concept of the egocentric network which consists of a set of direct, dyadic ties, with the entrepreneur at the center (Hite & Hesterly, 2001). Through them, entrepreneurs tap into advice networks (Krackhardt, 1990), which allow access to valuable information that is important in the uncertain environment. Advice sharing depends on the trust entrepreneurs establish for one another in intense networking, often based on shared past experiences and repeated interactions (McGrath, Vance, & Gray, 2003). In addition, advice networks provide strong mechanisms of informal social sanctions, such as criticism or disapproval; thus lowering transaction costs associated with information search, monitoring, negotiating, contracting, or enforcement (Mesquita & Lazzarini, 2008). For example, a referral provided by a mutual acquaintance saves time and money in information search and serves as an informal safeguard against potential opportunistic behavior.

Knowledge of foreign market opportunities, in particular, is commonly acquired via existing personal networks rather than collected through systematic market search (Ellis, 2000). For example, personal relationships of young entrepreneurs have been found to facilitate the identification of new foreign market opportunities and contribute to building market knowledge (Harris & Wheeler, 2005).

2.3.3 Business networks and opportunity recognition

For entrepreneurial ventures, which are a little more than an extension of their founders' human and social capital, business networks are to a certain extent embedded (Granovetter, 1985) in the personal networks of their founders. Yet, Jones and Coviello (2005) differentiate between the entrepreneur and his/her social capital or proprietary-network relations such as communication and informal contacts, on the one hand, and the firm's intangible relational/network resources, on the other. Hung (2003) proposes that for a new venture to be established and survive, entrepreneurs should not only mobilize their personal networks for resource acquisition, but also make a transition towards participating in business network of exchange and collaboration.

Business networks allow firms to access a variety of resources and complementary skills, specialize and thus achieve economies of scale in operations, and/or collaborate to generate superior knowledge and capabilities (Chetty & Wilson, 2003). Participation in a business industrial network allows a small company to develop competencies and achieve efficient scale of operations through specialization within a carefully chosen subset of value-chain activities, such as design, logistics, or contract manufacturing (Belso-Martinez, 2006; Havnes & Senneseth, 2001; Westhead, Uchbasaran, & Binks, 2004). Thus, business networks can provide a source of competitive advantage stemming from lowering costs/increasing efficiencies, increasing differentiation, or both. These attributes erect powerful isolating mechanisms, or barriers to imitation, providing a source of sustainable competitive advantage for the participating firm.

Lin and Chaney (2007) in their study of the internationalization process of Taiwanese SMEs found that these small players were able to exploit advantages from

being part of a network, such as low transaction costs, assured orders, and access to external resources and knowledge. Mesquita and Lazzarini (2008), in their study of the internationalization of wood-furniture SMEs in Argentina, found that vertical ties yielded manufacturing productivity along the supply chain, while horizontal ties enabled the access to collective resources and joint product innovation. These collective efficiencies, in turn, served as “competitive currencies” for SMEs to access global markets. In the unstable institutional environment of an emerging economy, SMEs would be even more likely to resort to inter-organizational arrangements based on informal governance mechanisms, such as networks, than in developed market economies (Mesquita & Lazzarini, 2008; Peng & Heath, 1996).

2.4 The importance of social networks

2.4.1 The source of trust

Many researchers believe international transactions cannot be built without trust (Axelsson, Johanson, 1992). Trust helps to learn and develop new knowledge (Granovetter, 1985; Arenius, 2005), to share information and to deal in the situation of uncertainty (Johanson & Vahlne, 2009). Trust allows transferring decision-making process to a trustworthy agent (Arenius, 2005).

It is worth noting, that personal relations supporting internationalization could not be built without trust and commitment from both sides. Hence, trust and commitment building also became a significant issue in developing business network in internationalization. According to the network theory of internationalization, networks are created slowly with increased trust and commitment. Three issues are of critical importance with respect to the internationalization process (Axelsson, Johanson, 1992). First, a firm cannot be merely an observer of a network; it must

participate and be an insider. Second, resources are invested in these relationships. Hence foreign market entry is a process of continuous resource commitment. Third, presence in networks is of strategic importance, and business opportunities appear from the membership. To develop those business opportunities trust has to be built. Trust is an important issue in current relationship-oriented research literature. Moreover, trust is an important component for successful learning and development of new knowledge in the frames of network (Granovetter, 1985; Arenius, 2005). If to talk about definitions trust could be defined as an ability to predict the behavior of another person, characterized by high ethical standards (Johanson, Vahlne, 2009). Trust makes people to share information and is particular importance in the situation of uncertainty (Johanson, Vahlne, 2009). Trust can even serve as a substitute to knowledge if the firm founder lacks knowledge in a particular field, but can transfer decision-making process to a trust-worthy middleman (Arenius, 2005).

2.4.2 The source of information about new markets

Informal relations are crucial as a source of information about new markets (Hakansson, Snehota, 1995) and a key way of gaining cultural knowledge (Styles, Ambler, 2000). Informal relations fulfill very important functions that have to be operated during internationalization process. These personal relations could be originated from social life of an individual, which is not connected to business at all or from business-oriented events. The role of such relations in business development could be admitted much later as the relationship evolves and more common interests arise (Harris, Wheeler 2005). Besides this the social networks may serve as a source of information for new business opportunities at the foreign markets (Ellis, 2011).

Chapter 3. Methodology

3.1 Research strategy

This study took the help of Yin's (1989) and Eisenhardt's (1989) approach for selection of case study method. Case study research methodology provides an in-depth understanding about the different variables and the issues related to the phenomenon under consideration. It can extend the experience and knowledge of the researcher and add the strength of the data previously known through the literature review. Case studies may have a detailed contextual analysis of a limited number of variables, events and their relationships. However, in this study, I use multiple-cases. Strauss and Corbin (1990) and Yin (1989) both used multiple-cases but it is Eisenhardt (1989) that highlighted the theory building properties. The multiple- case approach encourages the researcher to study patterns common to cases and theory and to avoid chance associations (Eisenhardt, 1989). Eisenhardt (1989) also point outs that in the multiple-case approach there is no ideal number of cases, but recommends between four and 10 cases. With fewer than four cases, theory is difficult to generate, and with more than 10 cases, the volume of data is difficult to cope with. As recommended by Eisenhardt (1989) the selection of firms is based on the fact that they are having totally different in characteristics. Their industry and characteristics of market are different from each other and they are working at different levels of internationalization. This study intends to follow the procedure mentioned above.

This study is designed to investigate the questions that do social and business networks influence opportunity recognition? What are the moderating factors that affect the relationships between social and business networks and opportunity recognition? Under what contingency are social or business networks more effective?

The nature of the questions asked here is exploratory and some of the questions are asked about a contemporary set of events. These conditions combined together make case study the most appropriate methodology to study the questions raised in this study. Besides, case study can deal with a variety of evidence including documents, artifacts, interviews, and observations. The in-depth interviews are conducted with the manager or founder of the company to gain overall understanding of the situation, how social and business networks influence opportunity recognition, and moderators affecting the choice between social and business networks.

3.2 Data collection

3.3.1 Interview guideline deployment

From the literature review, we know that both social and business networks would have influence on opportunity recognition, that is, the opportunity to find new markets and new customers. I would like to learn more about the moderating factors affecting the relationship between social and business networks and opportunity recognition as well as under what contingency social networks or business networks may be more effective. Consequently, the interview guideline is designed based on the knowledge from the literature review. In order to answer the research question, several questions are developed, and I have interviewed five companies based on the interview guidelines. During the process of interviewing, some questions that are initiated by “How” or “Why” will be asked to attain in-depth answers. It means that the agenda is a basic framework of data collection, but the main and important thoughts are from the “How” and “Why” questions.

3.3.2 Description of case company

This study focuses on SME in Taiwan; therefore, the case selection process is designed to look for the companies that are qualified.

3.3.2.1 Company A

Company A established in 1965. They have the brand name called “Hartford.” It produces product category of “CNC Machining Center”, with around 470 employees and overall campus landmass of 70,000 square meters, annual production reaching 2,000 sets. It possesses 80 sets of precision CNC productive equipment, the largest domestic full in-house production facility with in-house production for substantial materials, with varieties of advanced state of the art measuring equipment and facilities, material inspection and parts assembly, from production line through to final quality check, providing a complete inspection, product verification and quality assured. The company is a professional CNC machine tool manufacturer which achieves breakthrough techniques and corporate management and already holds the status of Taiwan’s largest “CNC Machining Center” company. Currently, the company’s products are distributed to 65 different countries and 7 international distribution and technical centers. The export intensity is about 87%. Thinking back and approaching the future, Company A consistently insists on bringing innovation, higher value and industrial competitiveness.

Company A’s profound team of R&D accumulated 45 years of production experience, product research ability alongside the Japanese standards. Hence, the company’s position in the aerospace, energy, automotive and electronic industries plays an important role. Their main customers are agents or importers. Global giant brands like Boeing, Airbus, BMW, Samsung, Nokia and more companies are all using

the company's products. "We must produce exceptional machines, if possible, earn some profit, if necessary, lose some profit, but will always insist on building good machines" have always been the unchangeable core philosophy to Company A's principle.

3.3.2.2 Company B

Company B was established in 1972. Their brand name is called "Diplomat." There are about 3000 employees including those in China. It specializes in high quality ABS&P.P. injection travelling products for attaché cases, travel cases, and beauty cases. Company B is famous for the strict quality control, and gain sound reputation around the world with the golden brand. They get excellent fame to lead ahead their competitors, and become one of the most outstanding manufacturers of travelling goods in Taiwan.

They operate with the international professional techniques to get the repeat order around the world. The sales net is covering all over the world for more than 70 areas and the export intensity is about 85%. Their main customers are oversea buyers, domestic traders, importers, exporters and agents. They surpass themselves in the stable growing situation, and keep creating new business top point.

3.3.2.3 Company C

Company C was established in 1990, and there are 100 employees in the company. They have the brand called "Season." With focus on the creative development of paper, cards and gifts, the company has won a good reputation in Taiwanese market for over 10 years. In 2003, the company built up a factory and a branch office in China for global market development.

Their products include cards (birthday cards, invitation cards, thanks cards, DIY

cards, gift cards, greeting cards...), envelopes, notebooks, hand-made stickers, package paper, zipper bags and so on. The main export countries are China, Japan, North America, Australia, and Southeast Asia with the export intensity of nearly 10%. Oversea main customers are chain stationary stores and agents. For the professional ability of R&D techniques, innovation, design, production, sale and marketing, company D is one of the leaders in the paper & gift industry in Taiwan and China. They keep on growing.

3.3.2.4 Company D

Company D was founded in 1993, and there are 14 employees in the company. Their brand name is called “Dr. Benefit.” Company D is professional in the research, development and manufacturing of electrical therapy equipment, such as TENS, EMS and related accessories. Currently, the company manufactures various kinds of portable stimulators for the different areas:

- Medical Professionals: for pain relief and rehabilitation.
- Home Treatment: Electrotherapy equipment for home care.
- Fitness: Electrotherapy equipment for enhancing the general well-being.
- Sport: for amateur or athlete who wish to increase their performance in sports.

Their goal is to offer more effective, user friendly, high quality and price-competitive products to the customers. The quality of products has been approved by many of doctors, physical therapists and end users. Their main customers are agents, dealers or importers, and they have dealers in many countries across the world. The export intensity is about 80%.

3.3.2.5 Company E

Company E was founded in 1983, and there are 120 employees in the company. Their major products are PU action leather (thin/thick film & waterproof & waterproof thick film), Suede (regular & waterproof & oil waterproof), Chap leather, Nubuck and so on. The products can be used for sportswear, outdoors, basketball, working, skateboard shoes...etc.

Company E imported updated machinery from Italy and well trained workers to make all products. They also have strong R&D lab in the tannery to keep developing new products. They believe that better management and better QA control can make better and more competitive products for customers. They also provide the best customer service to maintain long term relationships with every customer. This is the reason why they Nike's orders for over 10 years.

Recently, Company E exports to Asian countries including China, Vietnam and Indonesia; the export intensity is about 30%~40%. Most of their customers are local shoe factories and they don't use agents for opportunity recognition.

	<i>Company A</i>	<i>Company B</i>	<i>Company C</i>	<i>Company D</i>	<i>Company E</i>
<i>Date of interview</i>	2012/02/05	2012/02/05	2012/02/13	2012/2/14	2012/2/16
<i>Position of interviewee</i>	Founder	Founder	Sales Manager	Founder	Sales Manager
<i>Founding year</i>	1965	1969	1992	1993	1983
<i>Number of employees</i>	470	3000	100	14	120
<i>Brand name</i>	Hartford	Diplomat	Season	Dr. Benefit	N/A
<i>Annual export sales</i>	3~4 billion	1.2 billion	10 million	10.5 million	500~700 thousand
<i>Export intensity</i>	87%	85%	10%	80%	30%~40%
<i>Contract manufacturing Type</i>	OBM	OEM,ODM, OBM	OBM	OEM,ODM, OBM	N/A

	<i>Company A</i>	<i>Company B</i>	<i>Company C</i>	<i>Company D</i>	<i>Company E</i>
<i>Exporting countries</i>	Almost all over the world	Southeast Asia, China Northeast Asia, Western Europe (France, England, Germany), Middle East	China, Australia, Japan, Hong Kong, Malaysia	Singapore, Malaysia, Thailand, Indonesia, Germany, England, North America	Vietnam, China, Indonesia
<i>Main customer</i>	Agent, machine importer	Trader, importer, agent	Chain store, agent	Agent, importer	Local shoe factories
<i>Agent usage</i>	Yes	Yes	Yes	Yes	No
<i>Trade show</i>	Yes	Yes	Seldom	Yes	No

Table 3-1 Overview of the case companies (developed by this study)

Chapter 4. Integrated Model and Propositions

In this chapter, I will define the elements of integrated model respectively, and then elaborate the relationships between these elements based on relevant literatures and the collected data from the interviews.

4.1 Integrated model

4.1.1 Definition of social networks

In the context of entrepreneurship literature, Gilmore and Carson (1999) define social networks as “a collection of individuals who may or may not to be known to each other and who, in some way contribute something to the entrepreneur, either passively, reactively or proactively whether specifically elicited or not.” The role of social networks in the process associated with global commercialization of innovation is supported by social network theory, which is based on the assumption that it is impossible to comprehensively examine economic exchange without investigating the social context in which it is embedded (Granovetter, 1985). Early research on social networks was developed within the boundaries of entrepreneurship research but has since gained popularity among scholars and been applied to internationalization research.

International exchange opportunities are ubiquitous, but are not universally known. An important idea in the social network and entrepreneurship milieu is that social ties serve as conduits for the spread of information about new opportunities (Aldrich & Zimmer, 1986; Burt, 1992; Granovetter, 1973). Given that those linked within social clusters tend to know what others in the same cluster know, information about new opportunities tends to disseminate via those ties linking people in separate

social clusters (Burt, 1992). Consequently, opportunity recognition has been framed as a highly subjective process, shaped by each individual's unique exposure to knowledge corridors (Venkataraman, 1997) and gap-spanning bridge ties (Burt, 1992).

Social ties are thought to lower the transaction costs (Rutashobya & Jaensson, 2004), risk (Sharma & Blomstermo, 2003) and uncertainty (Zain & Ng, 2006) associated with foreign market entry while at the same time promoting credibility and trust among exchange partners (Loane & Bell, 2006). More and more case-based studies are showing how entrepreneurs discover international opportunities through social networks. For example, in the study of Komulainen et al. (2006) and Sharma and Blomstermo (2003) of Scandinavian exporters, they found that exchange opportunities were typically identified through existing relationships linking researchers, innovators and others in a particular technology. From Zain & Ng's (2006) study, three Malaysian software firms entered numerous foreign markets with the information gained from managers' networks of friends, relatives and contacts. From Ellis and Pecotich's (2001) study of Australian exporters, they found that social ties linking entrepreneurs with former employees, dealer networks, migrating customers, fellow doctors and family members were essential in identifying exchange partners in 25 out of 31 international exchanges. These studies successfully described the benefits that entrepreneurs derive from their social networks and the types of social networks that they adopted.

In this study, I combine the definitions of former studies and also add some new types of social networks from the interview question "How did you identify new customers in new markets?" Identification methods are considered social networks if they relied on prior social ties with relatives, friends or acquaintances (e.g., neighbors, former classmates, former employers or employees, existing clients, business

associates). See the table below:

Response to the question “How did you identify new customers in new markets?”

<i>Social networks</i>	
1.	They are a relative or “old friend”
2.	Through personal contacts (e.g., friends/acquaintances)
3.	We knew them from a previous job or business relationship, including the same business
4.	Referral from an existing client
5.	They are a former classmate or neighbor

Table 4-1 Definition of social networks (developed by this study)

4.1.2 Definition of business networks

Anderson, Hakansson, and Johanson (1994) define business networks as “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors.” These actors often include competitors, suppliers, customers, distributors, and government (Sharma and Johanson 1987). Business networks constitute goal-oriented cooperation among two or more firms involving a mutual exchange of resources and/or concerted efforts to resolve problems by entering into formal agreements (O’Donnell et al. 2001). As firms expand into foreign markets, business networks can facilitate the acquisition of experiential knowledge about international markets and therefore can be strongly relied on, especially during the international opportunity exploitation stage (Eriksson and Johanson 1997).

In Ellis (2011) the definition of non-tie methods is as follows:

- (1) formal search methods, which are characterized by the evaluation of information about potential exchange partners acquired either from formal sources (e.g., official trade-promoting agencies) or via formal data collection methods (e.g., proprietary market research);
- (2) fair-based methods, which rely on meetings at trade fairs and other market-like settings (e.g., exhibitions, conventions and trade missions); and
- (3) advertising-based methods, where exchange partners are identified on the basis of advertising and other forms of impersonal promotion (e.g., corporate websites, publicity, sponsorships, industry directories).

From the interview and the literature above, identification methods are considered business network if their answers are one of the following selections. See the table below:

Response to the question “How did you identify new customers in new markets?”

<i>Business networks</i>	
1.	We met at a trade fair/exhibition/mission
2.	In response to an advertisement
3.	Through B2B internet platform or company website
4.	Through government or other agency
5.	Via market research/formal search

Table 4-2 Definition of business networks (developed by this study)

4.1.3 Definition of opportunity recognition

Based primarily on the definition offered by Christensen et al.,(1989), recognizing an opportunity is perceiving a possibility for new profit potential through (a) the founding and formation of a new venture or (b) the significant improvement of an existing venture. Therefore, opportunity could be gained from new markets or new customers in existing market. There has been an abundance of recent papers on various theme of opportunity recognition in various stages of development. The themes explored are (Park, John S.,2005):

- (1) Building understanding of the sources of information used by entrepreneurs to identify opportunities (Hills,1995);
- (2) The importance of social networks in opportunity recognition (Julien, 1995; Singh et al., 1999);
- (3) The structure of the opportunity recognition process (Hills et al., 1999);
- (4) The role of personal intuition in the conception, development and execution of opportunities (Baker et al., 2001; Craig and Lindsay, 2001);
- (5) The specific role of prior knowledge and the importance of knowledge of customers and markets (Shepherd and De Tienne, 2001).

The focus is on the importance of prior knowledge, personality traits and social networks as potential antecedents of entrepreneurial alertness to business opportunities (Shane, 2000; Ardichivili et al., 2003).

The review above identified many factors that can leave immense effect on the opportunity recognition process. One of them is discussed below: Social networks increase the probability that the individuals will recognize more new entrepreneurial opportunities. The individuals must have a past access to different types of resources and information to recognize the profitable business opportunity and this is facilitated

through the social networks of the individuals. The required resources and information about the suitability of recognized opportunities is obtained by the social networks of the person such as the information about the feasibility of different opportunities, the sources of business opportunities, trustworthy investors and suppliers, production and marketing locations and so on (Birley and Westhood,1994).

4.2 Interrelationship between social and business networks and opportunity recognition

In this section, I will examine the interrelationship between social and business networks and opportunity recognition. I will also find out some moderating factors affecting the choice between social and business networks. The details are presented below.

Small and medium sized entrepreneurs often strove to use networks when they explored opportunities for internationalization, and they found opportunities not only through trade shows or other methods of advertisement but also through personal contacts with acquaintances known in the past, present or by newly acquired serendipitous contacts.

4.2.1 Social networks and opportunity recognition

In particular, in the early stages of internationalization, the entrepreneurs seem to use social networks the most. The founder of company B stated that:

“Thirty years ago, when we first arrived in France, we knew no one and everything is alien to us. We need to rely on agents to introduce customers to us or find someone whom we got acquainted from previous business relationship to act as go-between. If you’ve got contacts, there are people you know, then you can call. It makes internationalization much more accessible. Anyway, personal or social networks played an important role in the early stages.”

“When expanding in international markets, the most important thing is to know people, this is the thing that will get you the expansion.”

The founder of company D mentioned about the importance of social networks in the medical supply industry:

“Nerve rehabilitation in the U.S. or Europe is covered with insurance. If our product payments are covered with insurance, there are orders and customers. Most insurance companies have good relationships with doctors. This is a profitable route. It’s hard to squeeze inside the route. If we got acquainted with top executives of insurance companies or doctors, maybe it’s easier for us to get inside and earn profits. Medical supply industry has high entry level and it is a closed system. We need to build up our social networks with insurance companies as well as doctors.”

From the interview, we find that social networks help companies seek opportunities overseas in the early stage and can also be used to validate the potential of a firm's product in the market in which the firm was going to explore internationalization opportunity. The proposition is raised below:

P1: Social networks have positive effects on opportunity recognition.



4.2.2 Business networks and opportunity recognition

In addition to the use of previously developed networks, entrepreneurs also engage in activities aimed toward developing new networks that would potentially assist them with global product commercialization. This is consistent with the “purposeful enactment” factor illuminated by Slotte-Kock and Coviello (2010), in which a shift in a firm’s direction happens as the entrepreneur aligns the network with the environment. To accommodate this, the participants identified the importance of specialized events aimed to assist in the development of networks, such as trade fairs, industry expositions, and competitions, to enable them to get known in the international arena and develop potential international prospects (Elena Vasilchenko and Sussie Morrish, 2011). The founder of company B mentioned that:

“Attending trade shows is the most straightforward way. Buyers gather there spontaneously. They have the demand to buy. If you visit them in person, they may not pay the bill. ”

The founder of company D mentioned the similar points about trade shows:

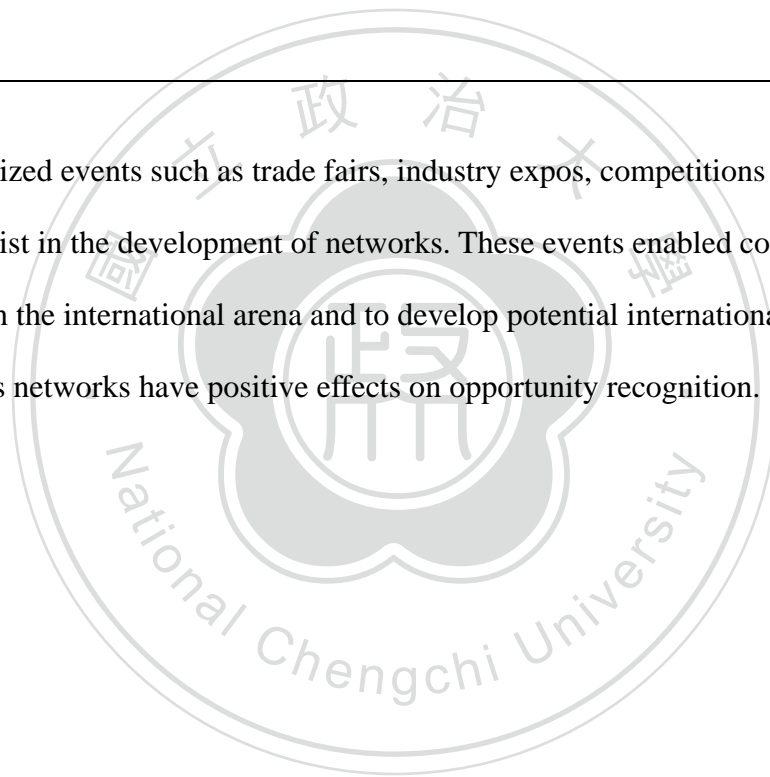
“In trade shows, there are people who come to collect information, see competitors, look for new products and also some importers come to search for imported products. Trade shows are opened information centers. Attending trade shows is a good way for new product release. ”

The founder of company A mentioned that:

“We often attend trade shows. Our sales team members can speak over three kinds of foreign languages and are all from Taiwan; they may go over the world for professional visit and introduction. We send professional lecturers overseas every year to open up classes for them, and even teach them the way to attract new customers. We have agencies in almost every exporting country; they sometimes take our products to local trade fairs. ”

Specialized events such as trade fairs, industry expos, competitions and so on aimed to assist in the development of networks. These events enabled companies to get known in the international arena and to develop potential international prospects.

P2: Business networks have positive effects on opportunity recognition.



4.3 Moderators between social and business networks and opportunity recognition

4.3.1 The difference of exporting countries

In this section, I divide the exporting countries into two groups: Asian countries and Western countries. The following table is a simple sort-out of the exporting countries of the companies that I interviewed.

<i>Company</i>	<i>Exporting countries</i>	<i>Network type</i>
<i>A</i>	Almost all over the world	Both
<i>B</i>	Southeast Asia, China Northeast Asia, Western Europe (France, England, Germany), Middle East	Both
<i>C</i>	China, Australia, Japan, Hong Kong, Malaysia	Social networks
<i>D</i>	Singapore, Malaysia, Thailand, Indonesia, Germany, England, North America	Both
<i>E</i>	China, Vietnam, Indonesia	Social networks

Table 4-3 Summary of exporting countries (developed by this study)

From the table above, some of the companies export their products to both Asian and Western countries, while others focus on Asian countries such as Company C and

Company E.

“*Guan-xi*”, loosely translated as “social networks” is the latest Chinese word to gain entry into English parlance. According to Bourdieu’s (2008) definition, *Guan-xi* “is the aggregate of actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition- or in other words, to membership in a group- which provides each of its members with the backing of the collectivity-owned capital, a ‘credential’ which entitles them to credit, in the various senses of the world.” *Guan-xi* purportedly performs a critical function in Mainland China, and also in the peripheral Chinese societies of Hong Kong and Taiwan, among minority Chinese communities in Southeast Asia and elsewhere, and as a means of linking together the global Chinese diaspora (Thomas Gold, Doug Guthrie & David Wank, 2002).

Guan-xi plays an important role in the development of building trade relationships in Asian districts. Entrepreneurs in small-scale companies tend to cultivate social indebtedness in order to gain advantage in lending and trade. Some of the managers use social relations to avoid complying with laws regarding the development of lending and trade relations, and some of them use social relations as they decided with whom they would establish lending and trade relations. On the other hand, research on the development of markets in the United States and Europe indicates that social networks directed much of the early financial and other economic exchange that occurred during development and industrialization in the United States, Scotland, England, Germany, France and other economies that are now considered developed, market economies (Thomas Gold, Doug Guthrie & David Wank, 2002). While nowadays social networks no longer have such great impact in these developed economies.

Sales manager of Company C mentioned the importance of social networks in

Asian markets:

“Chinese agent was from old customers’ recommendation; acquaintances serve as go-between to refer Hong Kong’s agent to us. Acquaintance reference plays an important role in Asian markets; while in Australia, most customers saw our products in stationary stores or received our cards from others and then contacted us automatically.”

Founder of Company D stated the different ways of opportunity recognition in western countries:

“We participate in the trade show held in Germany every year, and customers from England may come and get acquainted with us. Sometimes, we take different products to different trade shows to reach different groups of customers. We need to have complete financial planning for product marketing and it is related to company scale and resources.”

When exporting to Asian countries, we need to find someone we know to introduce us to customers. This is a more efficient way. However, when we export to western countries, perhaps participating in trade shows is a better way. Since trade shows are a gathering of customers.

P3 (a): The impact of social networks for opportunity recognition is stronger when the company exports to Asian countries.

P3 (b): The impact of business networks for opportunity recognition is stronger when the company exports to Asian countries.

P3 (c): The impact of social networks for opportunity recognition is stronger than that of business networks when the company exports to Asian countries.



4.3.2 Contract manufacturing type

The use of contract manufacturing is important and growing in a range of industries, including electronics, pharmaceuticals, automotive, and food and beverage production (Tully, 1994). Increasingly, firms that traditionally manufactured their own products are outsourcing production and focusing instead on product design, development, and marketing. This is the value chain upgrading phenomenon.

Upgrading may involve changes in the nature and mix of activities, both within each link in the chain, and in the distribution of intra-chain activities. This relates both to the achievement of new product and process development, and in the functional reconfiguration of who does what in the chain as a whole. It is thus possible to identify four trajectories which firms can adopt in pursuing the objective of upgrading, namely (Raphael Kaplinsky and Mike Morris, 2001):

(1) Process upgrading:

Increasing the efficiency of internal processes such that these are significantly better than those of rivals, both within individual links in the chain (for example, increased inventory turns, lower scrap), and between the links in the chain (for example, more frequent, smaller and on-time deliveries)

(2) Product upgrading:

Introducing new products or improving old products faster than rivals. This involves changing new product development processes both within individual links in the value chain and in the relationship between different chain links.

(3) Functional upgrading:

Increasing value added by changing the mix of activities conducted within the firm (for example, taking responsibility for, or outsourcing accounting, logistics

and quality functions) or moving the locus of activities to different links in the value chain (for example from manufacturing to design).

(4) Chain upgrading:

Moving to a new value chain (for example, Taiwanese firms moved from the manufacture of transistor radios to calculators, to TVs, to computer monitors, to laptops and now to WAP phones).

There is one example which begins with process upgrading, then moves to product upgrading, to functional upgrading and last of all, to chain upgrading. This accords with the common assertion that East Asian firms have made the transition from OEA production (original equipment assembling, that is, thin value added assembling under contract to a global buyer) to OEM (original equipment manufacturing manufacturer, that is manufacturing a product which will bear the buyer's badge), to ODM (own design manufacturer) to OBM (own brand manufacturing) (Raphael Kaplinsky and Mike Morris, 2001).

It is becoming apparent that firms that create strong brands gain significant competitive advantage over those that do not (Kohli, 1997; Randall, 1997). This is because of the value of brand equity. Brand equity arises because a brand possesses a "unique identity that differentiates it from other similar products (or services)" (Randall, 1997).

Sales manager of Company C mentioned some points about brand equity:

"When we participated in the trade show held in Europe such as Frankfurt trade show, we found that many of them aimed to find OEM companies, and this is not what we want; therefore, we gradually put less emphasis on participating in trade shows. In the future, we tend to participate in Asian trade shows such as Japanese trade

shows since Asian customers realize our brand and want our products but not simply find an OEM company. ”

Company C uses social networks most of the time for opportunity recognition since they could hardly find customers who buy their branded products in trade shows for the brand’s infamously and less competitiveness compared to other global brands. Therefore, value chain upgrading has both pros and cons.

The following is the summary of contract manufacturing type of the companies that I interviewed:

<i>Company</i>	<i>Contract manufacturing type</i>	<i>Brand name</i>	<i>Network type</i>
<i>A</i>	OBM	Hartford	Both
<i>B</i>	OEM, ODM, OBM	Diplomat	Both
<i>C</i>	OBM	Season	Social networks
<i>D</i>	OEM, ODM, OBM	Dr. Benefit	Both
<i>E</i>	N/A	N/A	Social networks

Table 4-4 Summary of contract manufacturing type (developed by this study)

P4 (a): The impact of social networks for opportunity recognition is stronger if the company has its own brand.

P4 (b): The impact of business networks for opportunity recognition is stronger if the company has its own brand.

P4 (c): The impact of social networks for opportunity recognition is stronger than that of business networks if the company has its own brand.



4.3.3 Agent usage condition

In the beginning, companies have little knowledge of foreign markets and have little opportunity to acquire this knowledge from its relationships in the domestic market. To acquire this knowledge the firm uses agents to enter foreign markets. By using an agent in the foreign market, the company can reduce costs and uncertainty, as it benefits on the agent's previous knowledge and investments in that market (Chetty, Sylvie & Blankenburg Holm, Desiree, 2000).

Agents in this study include domestic and foreign agents which include chambers of commerce, industrial associations, banks, government agencies, and other firms. The latter appear to be overwhelmingly the most important; they include corporations that buy-out smaller firms and then pressure them to export, foreign firms interested in buying machinery for their own use or components for their manufacturing process, foreign importers, and export agents (Bilkey, Warren J., 1978).

Most of the companies that I interviewed use agents for opportunity recognition; they use foreign importers or export agents or maybe both. However, Company E is a leather supplier; leather is a kind of material but not complete products so it is hard to find a foreign importer or other kinds of agents. Agents always help the companies to participate in foreign trade shows and facilitate the process of finding customers in trade shows. This is the kind of business networks. Companies that don't use agents such as Company E often use social networks instead to search for overseas customers.

The following table summarizes the condition of agent usage of the companies that I interviewed.

<i>Company</i>	<i>Adoption of agents</i>	<i>Network type</i>
<i>A</i>	Yes	Both
<i>B</i>	Yes	Both
<i>C</i>	Yes	Social networks
<i>D</i>	Yes	Both
<i>E</i>	No	Social networks

Table 4-5 Summary of agent usage condition (developed by this study)

P5 (a): The impact of social networks for opportunity recognition is stronger if the company uses agents in either domestic or foreign markets.

P5 (b): The impact of business networks for opportunity recognition is stronger if the company uses agents in in either domestic or foreign markets.

P5 (c): The impact of business networks for opportunity recognition is stronger than that of social networks if the company uses agents in either domestic or foreign markets.

4.4 Summary of integrated model and proposition

In this section, I develop some propositions derived from the data which are collected from the interviews.

First, I discuss the relationships between social networks and opportunity recognition, and then propose P1. After the in-depth interview and data analysis, I suggest that social networks have positive effects on opportunity recognition.

Second, I find out the relationships between business networks and opportunity recognition, and then propose P2. From the interviews, I find out that business networks also have positive effects on opportunity recognition.

Third, I elaborate the moderating factors including exporting countries, contract manufacturing type, and agent usage. Therefore, I propose P3 to P5, and from the interviews, I find out the conclusions as shown in the next chapter. In sum, I propose the propositions in Figure 4.1 below.

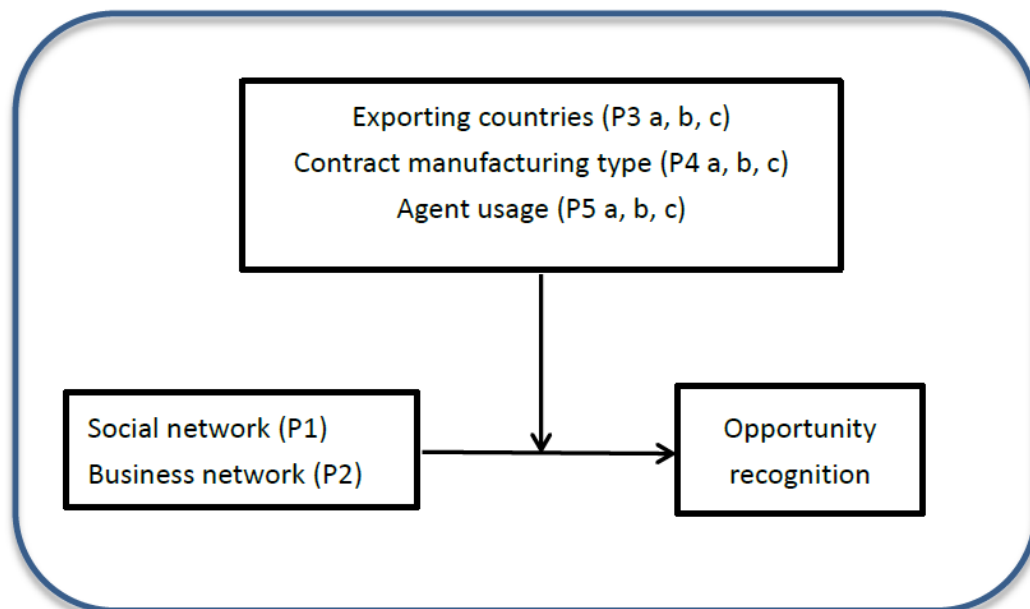


Figure 4-1 Integrated model and proposition (developed by this study)

The following table is the summary of the results of propositions:

P1	Social networks have positive effects on opportunity recognition.	Positive
P2	Business networks have positive effects on opportunity recognition.	Positive
P3(a)	The impact of social networks for opportunity recognition is stronger when the company exports to Asian countries.	Positive
P3(b)	The impact of business networks for opportunity recognition is stronger when the company exports to Asian countries.	Negative
P3(c)	The impact of social networks for opportunity recognition is stronger than that of business networks when the company exports to Asian countries.	Positive
P4(a)	The impact of social networks for opportunity recognition is stronger if the company has its own brand.	Positive
P4(b)	The impact of business networks for opportunity recognition is stronger if the company has its own brand.	Negative
P4(c)	The impact of social networks for opportunity recognition is stronger than that of business networks if the company has its own brand.	Positive
P5(a)	The impact of social networks for opportunity recognition is stronger if the company uses agents in foreign markets.	Negative
P5(b)	The impact of business networks for opportunity recognition is stronger if the company uses agents in foreign markets.	Positive
P5(c)	The impact of business networks for opportunity recognition is stronger than that of social networks if the company uses agents in foreign markets.	Positive

Table 5-1 Summary of the results of propositions (developed by this study)

Chapter 5. Discussion and Contribution

5.1 Discussion and contribution

Network theory has received significant attention in existing internationalization and international entrepreneurship literature. In particular, the impact of both social and business networks on the internationalization processes of firms has been extensively investigated (Coviello and Munro, 1997; Johanson and Mattsson, 1988; Johanson and Vahlne, 2003).

With the use of social and business networks, it is easier for companies to explore foreign markets and find new customers. This study finds out that social networks have positive effects on opportunity recognition which is consistent with the findings of Manolova, Tatiana S. Manev, Ivan M. & Gyoshev, Bojidar S. (2010) and Paul D Ellis (2011) that the founder's social network influences positively the search for opportunity abroad and the resultant internationalization of SMEs. The finding that business networks have positive effects on opportunity recognition is consistent with the research results of Elena, Vasilchenko & Morrish, Sussie (2011) that the role of social and business networks in the proliferation of internationalization opportunities is consistent with the network perspective of internationalization in which internationalization is enabled through the use of resources and information possessed by connected social and business networks that, combined with the firm's own resources and knowledge, allow it to find, identify, respond to, and develop internationalization opportunities.

This study's first contribution is to investigate the impact of both social and business networks for opportunity recognition at the same time instead of discussing them separately as the previous literature. The second contribution of this study is to find out the moderating factors affecting the relationships and choices between them

including the difference of exporting countries, contract manufacturing type, and agent usage condition. With the findings, we could realize that under what contingency social or business networks are more effective.

This study finds out that when the company exports to Asian countries the impact of social networks for opportunity recognition is stronger than that of business networks and this is consistent with the findings of Thomas Gold, Doug Guthrie & David Wank (2002) that “*Guan-xi*” purportedly performs a critical function in Mainland China, and also in the peripheral Chinese societies of Hong Kong and Taiwan, among minority Chinese communities in Southeast Asia and elsewhere, and as a means of linking together the global Chinese diaspora. The data collected from the interviews with company C and E also corresponds with the results.

The study also finds out that the impact of social networks for opportunity recognition is stronger than that of business networks if the company has its own brand. From Company C’ interview statement, I find out that when they attend trade shows, customers there want to find OEM factories instead of a company with a brand. Since Company C’s brand is not a worldwide brand, the brand is a weakness for them to find customers in trade shows. Therefore, they use social networks most of the time for opportunity recognition.

The final finding of this study is that the impact of business networks for opportunity recognition is stronger than that of social networks if the company uses agents in either domestic or foreign markets. In consistency with what Chetty, Sylvie & Blankenburg Holm, Desiree (2000) proposes that by using an agent in the foreign market, the company can reduce costs and uncertainty, as it benefits on the agent’s previous knowledge and investments in that market, most of the time agents may bring products to trade shows or exhibitions in foreign countries; the usage of

business networks is effective in the circumstance. Company E is the only company that doesn't use agents for exploring foreign markets, and they use social networks for opportunity recognition.

5.2 Managerial implications

The dissertation provides several implications for future research and managerial practices. First, for SMEs in Taiwan, this study confirms the essential role of networking for internationalization and growth. Second, this study concludes that when the company exports to Asian countries, social networks have stronger impacts since Asian countries rely more on personal relationships or the so-called "Guan-xi"; if the company has its own brand, brand equity may not always be helpful. For SMEs, social networks may have stronger impact for opportunity recognition. With the usage of agents, business networks are more influential since agents may bring products to trade shows or exhibitions and therefore facilitate the process of business networks.

Entrepreneurs and entrepreneurial firms can benefit from making the best use of any existing networks and therefore should focus their efforts on development in markets in which they potentially want to expand. In addition, entrepreneurs can generate internationalization opportunities through industry events, such as conferences and trade shows.

SME venture owners will be advised to broaden the horizon of their networks from friends, family, and professional service providers to other business community and seek ways to collaborate with business partners and competitors. Thus, the formation of both social and business networks is important for internationalization.

Chapter 6. Limitation and Future Research Directions

Several limitations of this study should be noted with a view toward extending the present study. First, because of the limitation of time, I only interviewed five companies and proposed a few propositions, not all relevant moderating variables have been explored, and there are still many details valuable to be discussed. Second, the classification of social and business networks was not unchangeable. There are still some other classification methods; the adoption of different methods may affect the research results. Third, the nature of manufacturing industry is different from other industries. Manufacturing industry depends more on trade shows and other kinds of business networks such as websites instead of marketing and sales; therefore, it may be harder for them to construct social networks.

Besides, I also raise some suggestions for future research directions on the relevant topics. First, this study developed the relationships between social networks, business networks, and opportunity recognition which have been integrated by qualitative research method. The number of companies studied was limited to five and selected according to very particular criteria. Selection of a greater number of companies might provide a clearer picture of the variable discussed and the moderating factors affecting the relationships between these variables. As a result, future research can base on the model proposed by this study to establish a quantitative research which adopts larger sample base. Second, the companies adopted in this study consist of small and medium sized firms in Taiwan; however, future studies could collect data from other countries. Therefore, the results will not only reflect the phenomenon in Taiwan, but also show the difference between Taiwan and other countries.

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Appendix

訪談大綱(台灣中小企業)

一. 公司基本資料

1. 貴公司名稱？
2. 貴公司約成立幾年？
3. 員工人數大約幾人？
4. 公司資本額為何？
5. 公司型態為 OEM、ODM 或 OBM？
6. 承上，若是 OBM，品牌名稱為何？
7. 是否有通過認證或獲獎？如 ISO 認證…

二. 國際化相關問題

1. 貴公司是否有出口或外銷經驗？
 - (1) 主要出口國家為？
 - (2) 出口或外銷國家總數？
 - (3) 出口比率約為多少？
 - (4) 出口額為何？
2. 貴公司透過何種方式在海外市場找到新客戶？
 - (1) 親戚或老朋友、朋友或熟人介紹、先前工作或商業往來中認識的、現有客戶的推薦、鄰居或以前同學…
 - (2) 透過政府或仲介機構、透過市場研究或其他正式的研究、參與商展、透過廣告、公司網站、電子商務平台、其他公司推薦…

海外主要客戶為何種類型？如大盤商、連鎖商店….