
CREATIVITY AND PROSPECTION: CREATING AND EXPLOITING OPPORTUNITIES FOR INTERNATIONAL ENTREPRENEURSHIP

■ **Abstract:**

The increasing interest in international entrepreneurship calls for conceptual frameworks to better understand firm internationalisation. This paper explores an entrepreneur-firm-opportunity framework and advances an opportunity-based approach to international entrepreneurship. The role of the entrepreneur in the formation of international opportunities and the subjective dimensions of entrepreneurial creativity and a new construct of 'prospectivity' are examined. The firm – through its capabilities – is located as the vehicle for internationalisation and opportunity exploitation. The 'opportunity' construct is re-examined and the notion of the 'entrepreneurial opportunity' clarified. The paper shows how the entrepreneur orchestrates the dynamic interplay between firm capabilities and market opportunities to form entrepreneurial opportunities, leading to dimensions of opportunity formation processes and a Typology of Entrepreneurial Opportunity Processes (opportunity discovery, development, construction, and creation). Finally, the paper outlines how conceptualising internationalisation as the formation and exploitation of international entrepreneurial opportunities, and applying the opportunity-based approach to international entrepreneurship, can lead to a better understanding of the phenomenon of firm internationalisation.

■ **Keywords:**

Entrepreneur; entrepreneurial opportunity; firm capability; international entrepreneurship; opportunity discovery; opportunity creation

■ **INTRODUCTION**

The proliferation of 'little heroes' in international markets has attracted strong interest in international entrepreneurship [1]. To explain the process of firm internationalisation, Johanson and Vahlne [2] advanced a 'stage' model that described firm internationalisation as a gradual, incremental process with firms evolving through stages as they acquire experiential knowledge. Bilkey and Tesar [3], Cavusgil [4], and Czinkota [5] propounded alternative internationalisation models – characterised as 'innovation-related' – by Andersen [6]. The stage and innovation-related models of internationalisation, while gaining considerable support, have drawn heavy

criticism [7]. Cannon and Willis [8] questioned the assumptions of incremental, step-by-step internationalisation, arguing that many internationalising firms often jump stages to hasten the internationalisation process. Reid [9] found existing models too deterministic and suggested a contingent view of internationalisation. McDougall, Shane et al. [10] questioned the failure of the stage-model and innovation-related models to account for the rise of international new ventures (INVs) that not only skipped stages of internationalisation but went international from inception. Another framework to analyse firm internationalisation explores the drivers of firm internationalisation. For both stage and innovation-related models, the lack of

experiential knowledge and the uncertainty associated with internationalisation influenced the gradual pattern of firm internationalisation. Yet, the phenomenon of INVs that internationalise at or near inception, obviously without experiential knowledge, cast doubts on this theory. The role of resources, following the resource-based view [11], have been cited by Kundu and Katz [12] and Westhead, et al. [13], who showed that firms with greater resources have a higher likelihood for internationalisation. But there is clear evidence that highly-resourced firms do not necessarily internationalise. On the other hand, some firms with insufficient resources have overcome this constraint by harnessing networks and alliances [14]. The network approach [15,16] sought to show that internationalising firms build relationships with other independent firms that belong to a common network. Yet, this approach has also failed to account for firms that have internationalised without the benefit of networks [10].

Other studies have focused on the entrepreneur to explain internationalisation. These studies have concentrated on the objective elements of the entrepreneur such as his education, experience from living abroad, internationally-oriented jobs [16], international work and educational experience [17], age, place of college education, and foreign language skills [18]. However, the study of Cavusgil and Naor [18] showed age, education, place of college education, and foreign language skills to be poor discriminating variables between exporters and nonexporters. Andersson et al. [19] also found no support for the link between the age of the entrepreneur and international activities.

In this paper, we will explore an entrepreneur-firm-opportunity framework and advance an opportunity-based approach to international entrepreneurship. In particular, we will explore the role of the entrepreneur in the formation of international opportunities and examine the subjective dimensions of entrepreneurial creativity and prospectivity. We will also situate the firm – through its capabilities – as the vehicle for internationalisation and opportunity exploitation. We will re-examine the ‘opportunity’ construct and clarify our notion of the ‘entrepreneurial opportunity’. The paper will also show how the entrepreneur orchestrates the dynamic interplay between firm

capabilities and market opportunities to form entrepreneurial opportunities, leading to dimensions of opportunity formation and a Typology of Entrepreneurial Opportunity Processes. A final section on the opportunity-based approach to international entrepreneurship will outline how the process of internationalisation may be conceived as the formation and exploitation of international entrepreneurial opportunities. We will show how the application of the opportunity-based approach to international entrepreneurship can lead to a better understanding of the firm internationalisation phenomenon.

■ ENTREPRENEUR-FIRM-OPPORTUNITY NEXUS

Shane and Eckhardt [20] suggested an ‘individual-opportunity’ nexus in entrepreneurship. This follows Shane and Venkataraman’s [21 p. 218] argument that ‘entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals’. These scholars, like Stevenson and Jarillo [22], view opportunity cognition and exploitation as being at the heart of entrepreneurship. Di Gregorio, et al. [23] suggested the extension of the individual-opportunity nexus framework to international entrepreneurship studies. But they focused on firm-level analysis instead of accounting for the roles of both the entrepreneur and the firm in internationalisation. It is probably safe to say that a framework that integrates the entrepreneur, the firm, and opportunities in international entrepreneurship studies is missing. Such a framework becomes all the more important if Oviatt and McDougall’s [24, p. 540] definition of international entrepreneurship as the ‘the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services’ is to have even wider acceptance.

Advancing an entrepreneur-firm-opportunity framework, we argue that the entrepreneur, the firm, and opportunities are crucial to international entrepreneurship. Cognition and formation of opportunities is only the beginning of the entrepreneurship process and is the domain of the entrepreneur [21,25]. He is also responsible for the decision to internationalise and to pursue international opportunities. For entrepreneurship to take place, the opportunity

must be exploited [21], through new [26] or existing organisations [27,28]. The firm is needed for opportunity exploitation because of its capability to turn opportunities into market outcomes [29].

■ NATURE OF ENTREPRENEURIAL OPPORTUNITY

Notwithstanding the voluminous literature on opportunities and entrepreneurship, there remains some dissatisfaction on the current state of research on opportunities [30]. One problem is the less than robust use of the 'opportunity' construct, where 'opportunity' is used by researchers without defining and explaining what they mean by it or in what sense they are using the concept [31]. It is common for entrepreneurship writers to define 'opportunity' in multifarious ways. We will, therefore, begin by clarifying our notion of entrepreneurial opportunity.

Opportunity is defined by Webster's New World Dictionary [32] as 'a combination of circumstances favourable for the purpose'. In the context of the firm, the combination of circumstances favourable for the purpose of forming economic value must reside: 1) within the firm from whence the economic value is formed; and 2) in the market where the economic value is realised. The entrepreneurial opportunity may thus be said to require the combination of two circumstances that are favourable for the formation of the economic value: firm capabilities and market opportunity. Firm capability and market opportunity independently considered merely represent nascent, elements of opportunities. It is the combination of firm capability and market opportunity that gives rise to an entrepreneurial opportunity. Since what is deemed favourable is relative and idiosyncratic, what might be favourable to one firm might not be to another. This allows us to define an entrepreneurial opportunity as 'the creative combination of firm capability and market opportunity for the formation of economic value'.

■ OPPORTUNITY DISCOVERY AND OPPORTUNITY CREATION

Are opportunities like mountains 'just waiting to be discovered and exploited' or are they mountains to be built, ask Alvarez and Barney [33, p. 11]? Opportunity discovery has predominated the literature on opportunity

processes [30,33]. Hayek [34], Kirzner [35-37], Shane and Venkataraman [21], and Shane and Eckhardt [20] all employ the paradigm of opportunity discovery. It is Kirzner's alert entrepreneur who gets credited with discovering opportunities. Under the 'discovery theory', the failure of some to discover opportunities results from alertness not being uniformly distributed in the population [35-37].

An aspect of entrepreneurial behaviour that appears to have been neglected, however, is the 'subjective' entrepreneurial process of opportunity creation [38]. Slowly emerging in the literature, the 'creation theory' (or 'creative view' of Venkataraman [39]) 'assumes that entrepreneur's actions are the essential source of these opportunities – they build mountains' [33, p. 15]. Endres and Woods [38] argue that this points to the need for a more 'subjectivist' orientation. For Lachmann, an Austrian economist with such a subjectivist orientation, this means that social phenomena are 'the outcome of human action guided by plans (even though these often fail) and prompted by mental acts' [40, pp. 22-23]. The entrepreneur forms mental images of an 'unknown though not unimaginable future' [41, p. 59] that 'leads to creative, spontaneous acts and not just 'passive responses to external stimuli' [42, pp. 169-170]. The entrepreneur creates 'by conjecture and reasoned imagination... the things on which hope can be fixed' [43, p. 246].

The creation approach acknowledges that 'entrepreneurial opportunities often have to be "created" by using the entrepreneurial imagination to embody human aspirations in concrete products and markets' [44, p. 9] and that entrepreneurial activity creates realities [45]. Kirzner [35, p. 56] himself acknowledges that 'the human agent can... in fact create the future'. But how exactly are opportunities created? In the next section, we suggest a framework for opportunity creation that recognises that entrepreneurial opportunities are created by the interplay of firm capabilities and market opportunities, the interplay being strongly shaped by the entrepreneur.

■ DIMENSIONS OF ENTREPRENEURIAL OPPORTUNITY FORMATION PROCESSES

Our definition of entrepreneurial opportunity is ontologically-neutral in that it does not assume that nascent opportunities or firm capabilities

exist. It does denote that entrepreneurial opportunities are created by the dynamic interaction between firm capability and market opportunities as driven by the entrepreneur. Firm capability refers to the capacity of a firm to undertake some task or activity [46] and involves 'adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment' [47, p. 515]. Firm capability is distinct from firm resources [48]. Resources 'are inputs into the product process' [46, p. 118] and require firm capability for them to be integrated to strengthen a firm's ability to compete [48].

Market opportunities, on the other hand, may emerge from a variety of sources: exogenous shocks, market disequilibrating factors, production-enhancing factors, and entrepreneurial activity that creates new entrepreneurial opportunities [49]; the unexpected, incongruities, process needs, changes in industry or market structure, demographic changes, changes in perception, mood, and meaning, and new knowledge [50]; etc. The dynamic interplay between firm capabilities and market opportunities – orchestrated by the entrepreneur – exposes the four dimensions of opportunity cognition and creation: opportunity discovery, opportunity development, opportunity construction, and opportunity creation *ex nihilo* as captured in a Typology of Entrepreneurial Opportunity Processes (below):

		Market Opportunities	
		Current	New
Firm Capability	Current	Opportunity Discovery	Opportunity Construction
	New	Opportunity Development	Opportunity Creation

We have already discussed the concept of opportunity discovery. Opportunity development involves the development of new firm capabilities to pursue a current market opportunity, such as an export order or market demand. *IXI*, a desktop windowing computer software for UNIX operating systems, exemplifies this process. *IXI* founder, Ray Anderson, perceived a need in the international market for a desktop windowing computer software for UNIX operating systems [10] and led the development of *IXI*'s firm capabilities to deliver on that need.

Opportunity construction involves the construction by an entrepreneur of a new market opportunity that is within the firm's current capability to pursue. It can best be described as trying to construct a new market opportunity for what the firm is able to meet. *SPEA Software AG*, a manufacturer of computer graphic boards, internationalised in this manner by venturing abroad without waiting for orders from foreign customers [10]. It already had the firm capability to produce computer graphic boards and went on to construct the market for its products.

Opportunity creation involves the creation of both new firm capabilities and a new market opportunity. This process may come close to what Lachmann describes as an entrepreneurial process to 'create *ex nihilo*' [51, p. 240]. *U-Haul*, the largest rental fleet company in the world, traces its beginnings this way when its founder, *L.S. Shoen*, built the first *U-Haul* trailers from his garage which led to the creation of the do-it-yourself moving industry [52].

■ CREATIVITY AND PROSPECTION

Aside from entrepreneurial alertness, Kirzner [35, p. 58] cited entrepreneurial creativity – 'the unpredictable, the creative, the imaginative expression of the human mind' as central to opportunity discovery. Creativity, an important characteristic of entrepreneurs [53-55], involves 'the ability to develop new ideas and to discover new ways of looking at problems and opportunities' [56, p. 9]. It is also instrumental in opportunity creation through the creative imagination of combinations of firm capabilities and market opportunities to form entrepreneurial opportunities. Creativity 'extrapolates from context, sifts out and disregards elements from the confusing welter of experience that would otherwise distract effort and blur focus' [57, p. 59].

Creativity is also related to an entrepreneurial attribute we call prospectivity – 'the ability to create an imagined future'. Prospectivity is Lachmanian in that it 'consists in first creating, by conjecture and reasoned imagination on the basis of mere suggestion offered by visible or recorded circumstance, the things on which hope can be fixed' [43, p. 246]. Prospection is aimed at the future which 'is to all of us unknowable, though not unimaginable. The formation of expectations, is an act of our mind

by means of which we try to catch a glimpse of the unknown [41,p 59]. Prospection is important in international entrepreneurship since it allows the entrepreneur to overcome the constraints of experiential knowledge and uncertainty that are central to stage- and innovation-related models of internationalisation. That which the entrepreneur does not know can be creatively imagined. Prospection also drives the entrepreneur to pursue international opportunities despite limited resources and firm capabilities. Prospection involves the creation of the means to create the imagined future. To a great extent, what fails the test of reason is sustained by the moving and inspiring power of prospection. Prospectivity may be associated with self-efficacy [58] and entrepreneurial orientation [59], especially the dimensions of autonomy, risk-taking, and proactiveness. Prospectivity can involve cognitive bias which Baron [60] has observed as often leading to excessive optimism and overconfidence. It can be theorised that entrepreneurs who organise INVs, despite their limited or lack of prior international experience, engage in prospection.

■ OPPORTUNITY-BASED APPROACH TO INTERNATIONAL ENTREPRENEURSHIP

In IE studies, the opportunity-aspect of internationalisation has received limited attention [1]. Even Johanson and Vahlne [61, p. 167] recently acknowledged that 'the opportunity side of the internationalization process is not very well developed in our earlier papers.' However, this neglected dimension of internationalisation may provide new insights and better understanding of the process of internationalisation. We address this gap by advancing opportunity-based approach (OBA) to international entrepreneurship which argues that the process of internationalisation itself may be conceived as the formation and exploitation of international entrepreneurial opportunities. This suggests, for instance, that the locus of an entrepreneurial opportunity determines whether opportunity exploitation takes place domestically or internationally. To view domestic entrepreneurship and international entrepreneurship as distinct phenomena is to create a false dichotomy. In addition, viewing internationalisation as the pursuit of international entrepreneurial opportunities indicates that the location of the opportunity

determines the choice of foreign market for opportunity exploitation. An export order from Amsterdam would mean that internationalisation takes place in that country. The presence of strategic partners in Serbia would denote opportunity exploitation in that country.

Conceptualising internationalisation under the OBA as the exploitation of international entrepreneurial opportunities can also provide an explanation for how some internationalising firms seem to skip internationalisation stages, even becoming global at inception. Johanson and Vahlne [2, p. 24] had reported that internationalising firms generally begin by 'exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country'. Bilkey and Tesar [3] introduced a six-stage model that showed how internationalisation began by firms delivering on an unsolicited export order, and then moving on to regular exports to a psychologically close country, and finally to exporting to additional countries that are psychologically further away. But the nature of the entrepreneurial opportunity might actually determine the process of internationalisation. For example, if an internationalising firm with existing firm capabilities perceives a market opportunity in an international market, it may decide to establish a foreign sales subsidiary at the outset. A manufacturing company may also determine that production in an international market may also be more attractive because of cost-advantages and availability of specialised resources and internationalise in this manner. Internationalisation is non-deterministic under the OBA.

The opportunity-based approach can also theorise on the speed, precocity, and entry mode of internationalisation. A discovered opportunity would imply more rapid internationalisation than opportunity creation. A domestic firm that responds to an unsolicited export order can internationalise much faster than a firm that has to build its capabilities or construct a market in order to internationalise. A new domestic firm that has strategic partners abroad can internationalise earlier (i.e. be more precocious) than an established firm seeking to pursue international opportunities on its own. The latter will have to amass the resources

necessary for internationalisation – which takes considerable time – and acquire experiential knowledge before internationalising. Mode of entry will also be determined by the nature of the entrepreneurial opportunity. An export order will trigger exporting as the entry mode while a strategic alliance can lead to licensing/franchising or joint ventures.

CONCLUSION

This paper has sought to deepen our understanding of international entrepreneurship by exploring the entrepreneur-firm-opportunity nexus and suggesting an opportunity-based approach to international entrepreneurship. In particular, we had explored the role of the entrepreneur in the formation of international opportunities and examined the subjective dimensions of entrepreneurial creativity and prospectivity. We also situated the firm – through its capabilities – as the vehicle for internationalisation and opportunity exploitation. The 'opportunity' construct was re-examined and our notion of 'entrepreneurial opportunity' clarified. The paper also showed how the entrepreneur orchestrates the dynamic interplay between firm capabilities and market opportunities to form entrepreneurial opportunities, leading to an examination of the dimensions of opportunity formation and a Typology of Entrepreneurial Opportunity Processes. Finally, the paper outlined how conceptualising internationalisation as the formation and exploitation of international entrepreneurial opportunities, and applying the opportunity-based approach to international entrepreneurship, can lead to a better understanding of the phenomenon of firm internationalisation.

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