

## INTERNATIONAL OPPORTUNITY RECOGNITION: AN OVERVIEW

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### ABSTRACT

*Since 2006, the role of international opportunity recognition became an emergent research stream in international entrepreneurship. Following the definition of international opportunity recognition, the initial international opportunity recognition is defined as follows: The way an entrepreneur discovers the opportunity to exchange products and services with a new or existing partner in a new international market for the first time. In this study, we perform an in-depth literature review on the international opportunity recognition concept, and we suggest future lines of research in this topic.*

**Keywords:** international opportunity recognition, international entrepreneurship, literature review

## INTRODUCTION

An increasing number of studies on entrepreneurial opportunities have emerged on the entrepreneurship landscape in recent decades (Busenitz, Plummer, Klotz, Shahzad, & Rhoads, 2014). According to the trend analysis of Busenitz et al. (2014), research on entrepreneurial opportunities will continue to increase, and will, therefore, become the most important topic in the field of entrepreneurship. Likewise, it has been observed that research on opportunity recognition has gained more attention in the past few years, as it has been perceived as a central element of the entrepreneurial process (Busenitz et al., 2014; George, Parida, Lahti, & Wincent, 2014; Kontinen & Ojala, 2011a; Harms, Schulz, Kraus, & Fink, 2009). Particularly, scholars have been driven by the question of when, how, and why some individuals can recognize opportunities – while others cannot. One way to answer this question is to examine the nexus between entrepreneurial opportunities and individuals or groups (Baron, 2004; Busenitz et al., 2014; Shane & Venkataraman, 2000). Studies have shown that only a handful of people are able to recognize entrepreneurial opportunities because they have superior cognitive abilities and better access to information (Kirzner, 1973; Shane, 2003; Shane & Venkataraman, 2000). In this context, influencing factors play a crucial role, as they affect the way that entrepreneurs discover and develop opportunities (Ardichvili & Cardozo, 2000; Ardichvili, Cardozo, & Ray, 2003). Hence, social capital, personality traits or cognition, environmental conditions, entrepreneurial alertness, systematic search, and prior knowledge are recognized as major factors which have an impact on the opportunity recognition process (Ardichvili et al., 2003; George et al., 2014; Shane, 2003).

Starting in 2006, the role of international opportunity recognition has become an emergent research stream in international entrepreneurship (Peiris, Akoorie, & Sinha, 2012). The increasing interest in this topic was most likely triggered by scholars who asked for further research (e.g., Dimitratos & Jones, 2005; Styles & Seymour, 2006; Zahra, Korri, & Yu, 2005) or by scholars who perceived that the notion of entrepreneurial opportunities had rarely been developed in their previous studies (e.g., Johanson & Vahlne, 2006). The work of Kontinen and Ojala (2011a) has laid an important foundation stone. Although their study delivers valuable insights into international opportunity recognition and the influencing factors network ties, prior knowledge, entrepreneurial alertness, and activeness (systematic search) further examinations are needed.

The research is structured as follow. The following section (literature review) focuses on the analysis of the entrepreneurial opportunities and, specifically, the opportunity recognition and the international opportunity recognition. In this sense, we analyze all the studies in this field by distinguishing between the qualitative and the quantitative approaches. In the final section, we finish with our conclusion.

## LITERATURE REVIEW

The field of entrepreneurship is the study “of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (Shane & Venkataraman, 2000, p. 218; Venkataraman, 1997). Therefore, entrepreneurship contains the “processes of discovery, evaluation, and exploitation of opportunities; the individuals who discover, evaluate, and exploit them and the

examination of sources of opportunities” (Shane & Venkataraman, 2000, p. 218). Given this definition, it can be stated that entrepreneurship consists of entrepreneurial opportunities and individuals who try to benefit from them (Oviatt & McDougall, 2005).

We recognized different types of entrepreneurs in the literature. For example, MacMillan (1986) differentiates between *one-shot entrepreneur*, *drop-out entrepreneur*, and *business generator*. While a one-shot entrepreneur is someone who successfully builds a company and becomes its CEO, a drop-out entrepreneur is someone who establishes a business, but sells it to others or is forced to get out of it. An entrepreneur that establishes more than one venture is known as a business generator or also as a habitual entrepreneur (Morrish, 2009). Other types of entrepreneurs are *nascent*, *novice*, *serial*, and *portfolio entrepreneurs* (Delmar & Davidsson, 2000; Ucbasaran, Westhead, & Wright, 2001; Westhead & Wright, 1998). Hence, nascent entrepreneurs are individuals who consider creating a business, and novice entrepreneurs are individuals with no prior entrepreneurial experience who create a business for the first time. Serial and portfolio entrepreneurs can be seen as two different types of habitual entrepreneurs. The serial entrepreneur sequentially owns businesses, but just one company at a time. The portfolio entrepreneur owns several businesses at the same time (Hall, 1995; Morrish, 2009; Westhead & Wright, 1998).

### **Entrepreneurial opportunities**

The analysis of 56 articles by Hansen, Shrader and Monllor (2011) shows that scholars have defined the term entrepreneurial opportunities from different viewpoints, which led to

inconsistent operational definitions and conceptual definitions. Despite this, they were able to give a better overview by composing the different definitions of entrepreneurial opportunities into six conceptual definitions (cf. Hansen, et al., 2011, p. 292). Thus, they show that the term of entrepreneurial opportunity cannot be simply unified, as scholars define it from different perspectives (Hansen, et al., 2011). Similarly, Davidsson (2015) argues that scholars do not share the same idea about entrepreneurial opportunities, as they characterize them in various ways. Whereas some describe them as external conditions, some see them as social constructions, and others characterize them as individual cognitions (Davidsson, 2015). Mainela, Puhakka, & Servais, (2014) argue that two major types of entrepreneurial opportunity exist in the literature. The first type is the *innovation opportunity*, also known as Schumpeterian opportunity (Schumpeter, 1934), and the second type is the *arbitrage opportunity*, also known as a Kirznerian opportunity (Kirzner, 1973). These two different approaches describe entrepreneurship as the creation of a new economic activity and explain the source and presence of entrepreneurial opportunities (Mainela et al., 2014; Shane, 2003). For a better understanding, these two types will be further explained.

### ***Kirznerian opportunities (arbitrage opportunity)***

According to this view, the existence of entrepreneurial opportunities does not depend on new information, but needs differential access to already available information (Kirzner, 1973; Shane, 2003). These opportunities exist because people sometimes make incorrect decisions based on the information they possess, which in this case, inaccurate or wrong. This situation leads to

errors that create shortages, surpluses, and misallocated resources. Individuals can benefit from these errors and gain profit from them by buying, recombining, and reselling resources (Kirzner, 1973; Shane, 2003; Shane & Venkataraman, 2000). As a consequence, these errors create a market disequilibrium which enables individuals to take advantage of it by gaining extra profit. As these individuals exploit the market disequilibrium, they drive the economy back to an equilibrium state (Chandra, Styles, & Wilkinson, 2009; Kirzner, 1973; Mainela et al., 2014; Shane & Venkataraman, 2000). Kirznerian opportunities are mainly recognized through a discovery process, in which entrepreneurial alertness and search play a crucial role (Alvarez & Barney, 2007; Chandra et al., 2009; Shane, 2003). Moreover, these opportunities can be acknowledged as less innovative as they just strengthen/imitate the status quo. Consequently, the exploitation of Kirznerian opportunities is less risky compared to Schumpeterian opportunities (Shane, 2003). Finally, in this type of opportunity, value generation is based on unmet market needs (Mainela et al., 2014).

### ***Schumpeterian opportunities (innovation opportunity)***

In contrast to Kirznerian opportunities, Schumpeterian opportunities exist because of disequilibrating forces. Hence, political, regulatory, social, demographic, and technological changes offer a constant flow of new information which entrepreneurs can use to find out how to transform resources into a more valuable form. As these changes allow to recombine resources into a more valuable form, the new information modifies the value of resources and the equilibrium price (price approaches the equilibrium). If individuals possess the new information first, they have the possibility to buy resources when prices

are low, transform them into a more valuable form, and sell them with the aim to generate an entrepreneurial profit (Schumpeter, 1934; Shane, 2003; Shane & Venkataraman, 2000). These individuals benefit from a “temporary monopoly power”. However, as imitators appear in the market, they also want to gain an entrepreneurial profit. Hence, they exploit the profit and drive the economy back to its normal conditions (Baumol, 1993, p. 6; Chandra et al., 2009). As Schumpeterian opportunities occur due to disequilibrating forces, they disrupt the existing market system. In this context, they are more valuable and innovative than Kirznerian opportunities (Mainela, Puhakka, & Servais, 2014; Shane, 2003). According to Schumpeter (1934), there are five different types of opportunities: new organizational structures, new markets, new products or services, new production methods, and new raw materials (Chandra et al., 2009; Shane, 2003).

In addition to the Schumpeterian and Kirznerian perspective, there also exists the Knightian view (F. H. Knight, 1921) which describes entrepreneurship as an uncertainty-bearing process (Chandra et al., 2009). Mainela et al. (2014) point out that even though the terms innovation and arbitrage opportunity may seem similar to the concepts of opportunity discovery and creation, they must be distinguished from one another. While innovation and arbitrage opportunity is about the formation of new market activities, opportunity discovery and creation are about entrepreneurial behavior and therefore explain how opportunities are formatted.

### **Opportunity recognition**

Even though an entrepreneurial opportunity may exist, it can only be successfully exploited, if an individual recognizes the existence of the opportunity and its value

(Shane & Venkataraman, 2000). The recognition of an entrepreneurial opportunity requires the creation of a new mean-ends framework (Brown & Kraus, 2009; Casson, 1982; Shane, 2003). Eckhardt and Shane (2003) describe the discovery of entrepreneurial opportunities as a process where individuals recognize unnoticed or unknown ways to form a new means-ends framework. The new means-ends relationship leads individuals to believe that they can introduce a new method of profit generation by combining resources in a novel way and selling the output for a higher price than its cost (Shane, 2003). Eckhardt and Shane (2003) and Shane (2003) characterized entrepreneurial opportunities as something new and innovative, where entrepreneurs have to make assumptions (conjectures) about future events on the basis of unknown information and therefore have to develop different beliefs about the value of the opportunity.

#### ***Opportunity discovery vs. opportunity creation***

Although the focus of this study lies on the discovery point of view, the creation view will also be discussed. Ardichvili et al. (2003) believe that opportunities are created and not discovered. However, two main theories exist which explain the formation of opportunities through entrepreneurial actions/behaviors (Alvarez & Barney, 2007; Mainela et al., 2014; Short et al., 2010, p. 55). The first theory claims that opportunities are generated through a discovery process (discovery theory), and the second states that opportunities are formatted through a creation process (creation theory). As both theories are

built on teleological theory, they have some similarities. For example, both of them try to explain the actions, which entrepreneurs perform for the creation and utilization of opportunities. Furthermore, both theories assume that the occurrence of opportunities can be explained prior to a competitive deficiency in the market (Alvarez & Barney, 2007; Kirzner, 1973). Although both theories have much in common, a distinction must be drawn between them (Alvarez & Barney, 2007; Mainela et al., 2014). We outline some of the most important differences in Table 1.

#### **International opportunity recognition and international opportunity**

Whereas entrepreneurship research is more concerned with the formation of new ventures, the development of start-ups, and the management of small and medium-sized enterprises (SMEs) within the national market, *international entrepreneurship* research focuses on entrepreneurial internationalization or international comparisons of entrepreneurship (Jones, Coviello, & Tang, 2011; Kraus, 2011; McDougall, 1989; McDougall & Oviatt, 2000)

Oyson and Whittaker (2010), as illustrated in Figure 1, describe that entrepreneurial opportunities are linked with domestic entrepreneurship and that international opportunities are associated with international entrepreneurship. In this context, Karra et al. (2008) note that opportunity recognition and international opportunity recognition must also be distinguished from each other.

Table 1  
*Opportunity Discovery vs. Opportunity Creation*

Category	Opportunity discovery	Opportunity creation
Nature of opportunities	Opportunities are created through exogenous shocks in pre-existing industries	Triggered through endogenous actions of individuals to generate new services or products
Existence of opportunities	Opportunities exist regardless of entrepreneurs are conscious of them or not (discovering mountains)	Opportunities only exist because of the actions performed by the entrepreneurs (building mountains)
Entrepreneurial behavior	-More passive -Alertness and search	-More active: through action, observation and interaction with the environment -Causation and effectuation
Nature of entrepreneurs	-Entrepreneurs and non-entrepreneurs differ in their capabilities -Thus, not everyone is able to perceive the opportunity	-Entrepreneurs may or may not differ from non-entrepreneurs -Even small differences can determine whether someone can form an opportunity or not (luck plays a crucial role)
Nature of decision-making context	-Entrepreneurs make decisions under risky terms (unknowability) -Risk can partly be estimated	-Entrepreneur make decision under uncertain terms (uncontrollability) -Difficult to estimate outcome

Source: Based on Alvarez and Barney (2007); Davidsson (2015); Mainela et al. (2014); Miller (2007); Sarasvathy et al. (2003).

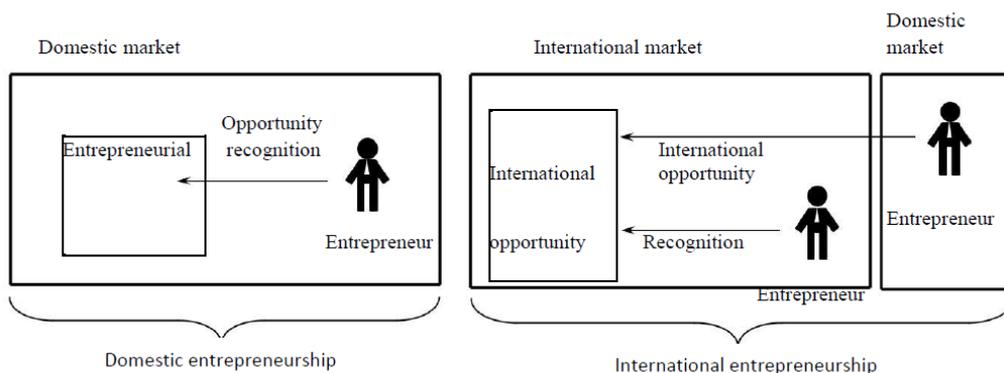


Figure 1. Domestic entrepreneurship vs. international entrepreneurship

While opportunity recognition occurs within the domestic market (Chandra et al., 2009; McDougall & Oviatt, 2000), international opportunity recognition relates to the discovery of opportunities in foreign markets and requires a specific set of international skills and knowledge (Karra et al., 2008; Zahra et al., 2005). Thus, this type of opportunity recognition occurs across national borders and plays an important role in the firm's internationalization process (Chandra et al., 2009). In summary, in domestic entrepreneurship, an entrepreneurial opportunity located in the domestic market is recognized by an entrepreneur, who is also located in the domestic market. In international entrepreneurship, an international opportunity located in the foreign market is recognized by an entrepreneur, who is located in the domestic market (e.g., recognition through networks) or international market (e.g., recognition during a business travel). To get a better understanding of the terms (initial) international opportunity recognition and (initial) international opportunity, we will go into further detail later in the study.

### **Defining international opportunity recognition and international opportunity**

Table 4 lists some of the existing definitions identified in the literature. Same as with the definitions of entrepreneurial opportunity and opportunity recognition. Definitions of international opportunity recognition and international opportunity can vary as scholars examine it from different theoretical approaches. For instance, whereas the international opportunity recognition definition of Zahra et al. (2005) makes references to the cognitive abilities of the entrepreneur, the definition of Muzychenko and Liesch (2015) focuses on exchange in new international markets.

Building on the definition of international opportunity and the definition of Chandra et al. (2009), we define *international opportunity recognition* as the way an entrepreneur discovers the opportunity to exchange products and services with a new or existing partner in a new international market.

According to Shane (2003), entrepreneurial opportunities are discovered by individuals rather than by organizations or groups. Hence, entrepreneur rather than groups or firms was added to the definition. Moreover, as this study is based on the theoretical streams of entrepreneurship, entrepreneur rather than people was included in the definition. It is not a person, but the entrepreneur who recognizes an entrepreneurial opportunity (Filion, 2011; Shane & Venkataraman, 2000). Based on the definition of international opportunity recognition, the initial international opportunity recognition is defined as follows: The way an entrepreneur discovers the opportunity to exchange products and services with a new or existing partner in a new international market for the first time.

### **International opportunity recognition**

To gain deep a deeper insight into the thematic field, the literature review is not only limited to the first-time international opportunity recognition or a specific firm type. Studies including empirical results are of main interest for the review. We focused on studies that have emerged between 2005 and 2015 and that have been published in academic journals (following, e.g., Gast, Filser, Gundolf, & Kraus, 2015). We excluded from the review studies that investigated international opportunity recognition from a psychological and cognitive point of view (e.g., Muzychenko & Liesch, 2015) as well as an environmental perspective (e.g., Faroque, 2015) and focused only on the creation view.

Table 2  
*Definitions of International Opportunity Recognition and International Opportunity*

<b>Author</b>	<b>International opportunity recognition</b>	<b>International opportunity</b>
Casulli (2009)	No definition	“an opportunity to create value in organizations through a combination of innovative, proactive and risk-seeking behaviour that crosses national borders” (p. 22)
Chandra et al. (2009)	“the way people and firms discover opportunities to enter international markets for the first time, or to go into other international markets” (p. 31)	No definition
Ciravegna, Majano, and Zhan (2014)	No definition	“the first finalized contract for the sale of products to a client based in a foreign market where the firm had not previously operated” (p. 1084)
Ellis (2011)	No definition	“the chance to conduct exchange with new partners in new foreign markets” (p. 101)
Hurmerinta et al. (2015)	No definition	“the potential the decision-maker sees for exchanging goods and services in selected markets” (p.1084)
Mainela et al. (2014)	No definition	“is a situation that both spans and integrates elements from multiple national contexts in which entrepreneurial action and interaction transform the manifestations of economic activity” (p. 120)
Muzychenko and Liesch (2015)	“the emergence of the situational condition which immediately precedes formation of a commitment to proceed with an exchange in a new international market” (p.705)	“the likelihood of conducting exchange with new or existing partners, such as foreign intermediaries or foreign customers, in new international markets” (p.705)
Peris et al. (2015)	No definition	“a situation in which new goods and services are introduced across national borders through formation of means-ends relationships that delivers superior value” (p.196)
Zahra et al. (2005)	No definition	“in an iterative process, where the entrepreneur revises her (his) concept several times” (p.139)

We searched appropriate articles with the aid of the systematic reviews of Mainela et al. (2014), Jones et al. (2011), and Peiris et al. (2012).

According to the literature review of Jones et al. (2011), only five studies that were concerned with international opportunity recognition existed before 2009. However, only two of them were empirical studies (cf. Chandra et al., 2009; Nordman & Melén, 2008). Interestingly, this literature review shows that the majority of the studies ( $n = 13$ ) have been published after 2009. This fact reflects the increasing interest of scholars to close this research gap. Moreover, most of the empirical studies were conducted in Europe ( $n = 9$ ), followed by Australia ( $n = 6$ ), Asia ( $n = 4$ ), and North America ( $n = 1$ ). Finally, a clear majority of the empirical studies have used a qualitative ( $n = 18$ ) rather than a quantitative ( $n = 2$ ) approach. The empirical results on international opportunity recognition are divided into qualitative and quantitative findings.

### ***Qualitative findings on international opportunity recognition***

Regarding the qualitative analysis of eight family SMEs, Kontinen and Ojala (2011a) found out that these firms discover international opportunities through formal and new network ties, which developed at international trade exhibitions. Trade exhibitions and other forums are important sources to find new business partners who can help sense international opportunities. Moreover, family firms discover international opportunities through alertness rather than activeness, and the small size of the management team improves the flexibility, which in turn positively affects entrepreneurial alertness. Finally, within these firms' prior knowledge consisting of

internationalization, market-specific and industry-specific knowledge does not have a significant impact on the recognition of international opportunities. In line with these findings, Kontinen and Ojala (2011b) highlight that family SMEs that do not have access to existing ties, compensate by developing new weak ties formed at international exhibitions (intermediary ties). Thus, informal family ties are not supportive for the international opportunity recognition. Nonetheless, those weak ties are rapidly converted into strong ties, as family SMEs aim to have strong relationships with their partners. In this context, trustfulness, underlying the tie, plays an important role (Kontinen & Ojala, 2011b). Concisely, social capital is a crucial influencing factor that enables the family firm's recognition of international opportunities (Kontinen & Ojala, 2011c).

The study of Zaefarian, Eng., T. Y. and Tasavori (2015) not only examines international opportunity recognition among family SMEs, but differentiates between the first and subsequent international opportunity identification. As family firms are characterized by their long-term orientation and risk aversion, they tend to recognize the first international opportunity through accidental discovery and the following international opportunities through purposeful search. However, to reduce the risk, family SMEs tend to integrate systematic search in the accidental discovery. Likewise, the first-time international opportunity is discovered through social networks (family member or close friends), and the later international opportunities are identified through business networks (competitors, customers, suppliers, etc.). The support of the government or participation at trade exhibitions also enables the international opportunity recognition.

Consequently, the more knowledge that exists in social networks, the more positive the correlation is between social networks and international opportunity recognition. In contrast to Kontinen and Ojala (2011a), prior knowledge (market-specific knowledge, internationalization knowledge, and industry knowledge) positively affects the international opportunity identification. Even if an entrepreneur does not possess the necessary knowledge, he can bridge this missing knowledge through his business or social networks and therefore is still able to identify the international opportunity (Zaefarian et al., 2015).

Piantoni, Baronchelli, and Cortesi (2012) examined the international opportunity recognition of Italian SMEs, which internationalized in distant (China) and close markets (EU). SMEs that internationalize in close markets show the following pattern: If they have extensive prior knowledge and experiences, they recognize international opportunities through a systematic search, active networking, and range from strong to small ties. If they have little or no prior knowledge and experiences, they recognize international opportunities through accidental discovery, passive networking, and strong ties. In contrast, SMEs that internationalize in distant markets recognize international opportunities, regardless of their level of prior knowledge and experience, through a systematic search, active networking, and weak ties.

The article of Santos-Álvarez and García-Merino (2010) investigates the international opportunity recognition of Spanish firms, which operate in the natural stone industry. The findings reveal that even though entrepreneurs are interested in internationalizing their business, they spend

little time to gather the relevant information for the international opportunity recognition. Thus, entrepreneurs receive the information by chance rather than through a systematic search. However, their prior experiences have a positive influence on the search for information and their awareness towards international opportunities. Moreover, entrepreneurial alertness, causal logic, and the center of attention are important cognitive abilities that aid the recognition of international opportunities. Finally, social networks, institutional support, the interest in internationalization, and the will to search for information are additional factors that help entrepreneurs recognize international opportunities.

Vasilchenko and Morrish (2011) reveal that entrepreneurs inside born global firms explore international opportunities through the active use of existing or new social networks (personal contacts). Their findings show that entrepreneurs within these firms use their personal contacts or create new ones when deliberately searching for international opportunities. However, social networks can also arise from serendipitous encounters (e.g., holiday encounters, inbound inquiries) which facilitate the exploration of international opportunities. In this connection, international opportunities are not always explored prior to a systematic search or strategic plan, but also through accidental discovery. Entrepreneurs also take advantage of specialized events, for example, trade fairs or competitions to develop new networks (cf. Kontinen & Ojala, 2011a), or hire external partners such as consultants or government agencies who assist them in exploring international opportunities. Mort and Weerawardena (2006) also reveal that networking capabilities of born globals support the identification of international opportunities. Their findings show that small

born global firms do not have the necessary human or financial resources to undertake a systematic search, such as market research or direct market visit. To cope with this problem, they use network relationships that provide them with the necessary experiential knowledge important for the international opportunity recognition. However, the use of networks is not always beneficial as it restricts the strategic possibilities (network rigidity). Styles and Genua (2008), who observed the early internationalization of high technology SMEs, also show the positive influence of network relationships on international opportunity recognition. The results of the empirical research indicate that the academic fundamental (existing) networks established in conferences and trade fairs aid the discovery of initial international opportunities. Another study examines the identification of initial international opportunities of SMEs in knowledge-based industries, such as high-tech manufacturing, biotechnology, or IT (Chandra et al., 2009). The findings illustrate that most initial international opportunities are accidentally discovered rather than purposefully sought out. Moreover, the results of the case studies outline that organizations with a low stock of prior international experience and knowledge tend to recognize first-time international opportunities through serendipitous discovery. On the other hand, when firms possess a great stock of prior international experience and knowledge they identify initial international opportunities with the aid of systematic search and entrepreneurial alertness (Chandra et al., 2009). These findings are also shared by Zaefarian et al. (2015). Prior technical knowledge is also of significance for the recognition of initial international opportunities. Additionally, weak ties are of importance for the accidental discovery of first-time international opportunities.

Nevertheless, it is quality that matters, not the number of weak ties (Chandra et al., 2009). The study of Crick and Spence (2005) shows that initial international opportunities in high-tech SMEs can be identified through planned (active search) and unplanned (serendipitous discovery) strategies. In contrast to Chandra et al. (2009), their results show that through active search by means of planned strategies, entrepreneurs can discover most first-time international opportunities. Moreover, entrepreneurs within these firms use their existing networks or ask for government support when actively searching for the initial international opportunities (cf. Spence & Crick, 2006).

The empirical work of Nordman and Melén (2008) explores how technological and international knowledge of managers and founders of born global firms are connected to the international opportunity recognition. They categorize the case firms into two types, namely born industrial and born academics. While managers and founders of born industrial firms have a great stock of both technical and international knowledge, managers and founders of born academic firms have only a high level of technical and a shortage of international knowledge. As a result, born industrial firms follow a clear internationalization strategy and discover international opportunities through active search, as they possess international knowledge. In contrast, born academic firms do not follow a strict and planned strategy and therefore recognize international opportunities through accidental discovery. However, as born academics do not follow a strict and planned strategy, they are more flexible regarding unexpected opportunities that could emerge. The importance of international knowledge is also shown by Karra et al. (2008) who state that international

opportunity identification requires a specific set of international knowledge and experiences, skills as well as creative insights. Furthermore, they reveal that both active (systematic search) and passive search (entrepreneurial alertness) are relevant for the recognition of international opportunities and that one mode of search can lead to the other. Hilmersson and Papaioannou (2015) demonstrate that the scouting behavior of SMEs depends on the level of international experience and the structure of the network. Therefore, the higher the level of international experiences, the more systematically SMEs will scout for international opportunities. Moreover, the more cohesive the networks (characterized by long-term and strong relationships) they are embedded in are, the more systematically SMEs will scout for international opportunities. However, a negative correlation between international opportunity scouting and the novelty of opportunities exists. Thus, the more systematically they scout for international opportunities, the lower the novelty of the discovered international opportunities.

Ciravegna, Majano, and Zhan (2014) reveal that experienced entrepreneurs who actively search for the initial international opportunity do not use networks to do so they favor other methods. On the other hand, the entrepreneur's international experience positively affects the initial export into foreign countries. If an entrepreneur possesses many experiences, he searches actively for new international opportunities. The findings also show that the active search for the initial international opportunity has a positive association with the scope (number of foreign market entries) and intensity (percentage of sales export) of internationalization. However, the proactive search for the first-time international opportunity does not have any

connection with the speed of internationalization. Thus, the inception of internationalization is not only affected by proactiveness, but also by fortuitous events.

Oyson and Whittaker (2015) provide another empirical study by investigating traditional and new venture firms located in New Zealand. One of the examination areas considers how these firms identify the first-time and subsequent international opportunities. In general, entrepreneurs recognize international opportunities through their knowledge gained from networks and knowledge about international markets. In this context, the knowledge for the discovery of first-time international opportunities mainly derives from local customers, partners, acquaintances, and the entrepreneur's knowledge about foreign markets. Some of the initial international opportunities are also accidentally discovered by means of serendipitous encounters. As entrepreneurs continue to internationalize, they can benefit from the knowledge acquired in the course of the first internationalization. Thus, this gained knowledge enables the identification of new international opportunities. Moreover, queries from foreign customers or suppliers also lead to the recognition of subsequent international opportunities.

Chandra et al. (2012) also deliver some important insights on international opportunity recognition among early internationalizing firms. According to their findings, internationalization is only rapid when an opportunity-based view is not considered. They indicate that behind the incremental or accelerated internationalization process lies a "path-dependent process of opportunity development and cross-border venturing activities" (Chandra et al., 2012, p. 74) in which the context matters. Thus, they

prove that born globals and traditional firms have much more in common than first assumed in the literature and that born globals cannot simply be defined by their characteristics, but rather by the context (history, networks, and learning process) in which they are embedded. Further, their results highlight that most initial international opportunities are accidentally discovered rather than purposefully searched and that entrepreneurs use different network types for the identification of international opportunities.

### ***Quantitative findings on international opportunity recognition***

Ellis (2011) carried out a survey focusing on the identification of international exchange opportunities through the social networks of the entrepreneurs. He differentiates between two methods for international opportunity recognition. First, tie-based refers to previous social ties with close friends, acquaintance, and relatives. Second, non-tie-based relates to formal search, meetings at international fairs (e.g., exhibitions), and reactions to advertisement. The results reveal that most of the international opportunities are recognized through discovery rather than deliberate search. However, these discoveries are not based on pure luck and are therefore not accidental. Also, the findings show that international opportunities are identified through social ties of entrepreneurs located in open economies rather than closed economies, that the use of social ties grows with international experience, but only slightly, and that international opportunities discovered through tie-based methods result in more valuable exchanges than international opportunities identified through non-tie-based methods. Although social ties can help to identify international opportunities, they are restricted by communication horizons, such as

linguistic, geographic, and psychic distance. Thus, an entrepreneur who uses social ties will not recognize international opportunities that lie outside these communication horizons.

The study of Hurmerinta et al. (2015) focuses on the entrepreneur's linguistic knowledge (language) which also enables the international opportunity recognition. Hence, entrepreneurs who speak English are able to recognize foreign market opportunities. Nonetheless, speaking a local language rather than just English results in more success. Moreover, the more languages an entrepreneur speaks, the higher the number of recognized international opportunities because the focus lies on more than just one potential market. Although an entrepreneur possesses a high level of linguistic knowledge, he also needs to understand the specific cultures. Thus, possessing cultural knowledge acquired through international experience is also of importance for the international opportunity recognition.

## **CONCLUSIONS**

The main objective of this study is to establish a current state-of-the-art literature review on the field of entrepreneurial opportunities recognition and, specifically, on international entrepreneurial opportunities recognition. In this sense, we have begun defining the Kirznerian opportunities (arbitrage opportunity) and the Schumpeterian opportunities (innovation opportunity). We continued by stating the difference between opportunity recognition and international opportunity recognition to focus on the main point of the study: to reveal what are the main findings on international opportunity recognition in qualitative and quantitative published research.

As previously stated, there is a lack of empirical research on international opportunity recognition (Chandra et al., 2009; Kontinen & Ojala, 2011a; Zahra et al., 2005). Since scholars have mostly applied a qualitative research method when analyzing the international opportunity recognition (e.g., Chandra et al., 2009; Kontinen & Ojala, 2011a; Piantoni et al., 2012; Zaefarian et al., 2015), there is a need for more quantitative research. Although some scholars have applied quantitative research (e.g., Ellis, 2011; Hurmerinta et al., 2015), there is still potential for further research.

The fact that most scholars fail to theorize about the notions of international opportunity and international opportunity recognition constitutes an additional research gap. Either both terms are not defined, or it is presumed that international opportunity is the same as international opportunity recognition (Muzychenko & Liesch, 2015). This issue also occurs in the entrepreneurship literature as a clear majority of the articles do not provide any definitions for entrepreneurial opportunity or opportunity recognition (Davidsson, 2015; Hansen, Shrader, & Monllor, 2011). Moreover, studies simply determine that international opportunities are the cause for the firm's internationalization, but do not characterize them as international entrepreneurial opportunities (Mainela et al., 2014). For these reasons, it seems important to develop new definitions of international opportunity and international opportunity recognition.

This study suggests several avenues for future research on the international opportunity recognition. First, there is a need for more quantitative studies in this field to test the qualitative research already done. Second, research on international opportunity

recognition would also benefit from studies which take both the discovery and creation view into account (e.g., Oyson & Whittaker, 2015) by building on the work of Alvarez and Barney (2007). Third, it might be worthwhile to link the growing research on born globals and international new ventures (e.g., Schüssler et al., 2016; Cesinger et al., 2012) with the question of how these specific firm types recognize their international opportunities, since this is likely to differ from traditionally internationalizing firm. Fourth, since this study has revealed that opportunities can be discovered through a combination of entrepreneurial alertness and systematic search, further examinations are needed in this specific area. Hence, scholars may investigate opportunity recognition by using different measurement models for the variable international opportunity recognition or by applying both quantitative and qualitative research.

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