AN OPPORTUNITY-BASED APPROACH TO INTERNATIONAL ENTREPRENEURSHIP: PURSUING OPPORTUNITIES INTERNATIONALLY THROUGH PROSPECTION

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This paper argues for a better understanding of entrepreneurship in international entrepreneurship – the 'E in IE'. The paper suggests that the central role of opportunity formation and exploitation in entrepreneurship research should be fully explored in IE. The entrepreneur-firm-opportunity nexus in internationalisation is examined through an opportunity-based approach (OBA). This suggests that the process of internationalisation may be conceived as the formation and exploitation of international entrepreneurial opportunities. The subjective, entrepreneurial ability to create an imagined future – 'prospection' – is examined to show how entrepreneurs use prospection to: creatively imagine combinations of firm capabilities and market opportunities to form entrepreneurial opportunities. A typology of entrepreneurial opportunity formation is advanced which distinguishes between opportunity discovery, development, construction, and creation. The paper concludes by suggesting how the OBA can help explain the choice of foreign markets, early internationalisation, speed of internationalisation, and foreign entry modes.

Keywords
Entrepreneurship; entrepreneurial opportunity; firm capability; international entrepreneurship; opportunity discovery; opportunity creation

1. Introduction

The increasing number of small firms actively pursuing internationalisation strategies (McDougall and Oviatt, 2000) and venturing into international markets has led to greater interest in international entrepreneurship (Chandra, et al., 2009). Many small firms also appear to be internationalising at an earlier age (Andersson, et al., 2004), even at or near inception (McDougall, et al., 1994). The need to understand the phenomenon of firm internationalisation better has led to research along three areas: the process of internationalisation (Bilkey and Tesar, 1977; Cavusgil, 1980; Bell, 1995), the drivers of internationalisation (Zucchella, et al., 2007), and the mediating factors that influence internationalisation (Cavusgil and Naor, 1987; Andersson, et al, 2004).

Johanson and Vahlne (1977) proposed a *process* model of internationalisation (the 'Uppsala model') that showed the internationalisation process as evolving through stages whereby internationalising firms first export 'to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country' (p. 24). Bilkey and Tesar (1977), Czinkota (1982), and Cavusgil (1980), introduced alternative internationalisation models (innovation-related models: Andersen, 1993) that also described firm internationalisation as evolving through different stages. Such internationalising firms were thought to go international 'in a slow and incremental manner' like 'rings in the water', to gradually gain market knowledge in order to reduce uncertainty and risk (Madsen and Servais, 1997: 561-562). While gaining considerable support, these models have also drawn criticism (Bell, 1995). Cannon and Willis (1981) questioned the assumptions of incremental, step-by-step internationalisation, arguing that many internationalising firms jump stages to hasten the internationalisation process. Reid (1984) found existing models too deterministic and suggested a contingent view of internationalisation. McDougall, Shane et al. (1994) pointed to 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.

Other scholars have sought to analyse firm internationalisation on the basis of *drivers* of firm internationalisation. The acquisition of experiential knowledge to deal with uncertainty associated with internationalisation has been cited by both the Uppsala and innovation-related model researches as influencing the gradual pattern of firm internationalisation (Andersen, 1993). But the emergence of INVs that have successfully internationalised despite the absence of experiential knowledge casts doubts on this theory. Resources, following the resource-based view of Barney (1991), have also been examined. Kundu and Katz (2003) reported that entrepreneurial resources such as higher levels of education of the entrepreneur correlated with greater willingness to explore foreign markets. Westhead, et al. (2001) pointed to the specific industry know-how of firm founders as strong predictors of firm internationalisation. Yet there is also evidence that highly-resourced firms do not necessarily internationalise, and that some under-resourced firms have overcome resource constraints (Coviello and Munro, 1995). A network-view has been suggested by Johanson and Mattson (1988) to show that building networks with other independent firms facilitates internationalisation. Still, not all firms internationalise, with the benefit of networks, either (McDougall, et al., 1994).

Studies on mediating factors that influence internationalisation have focused on the objective dimensions of the entrepreneur such as education, experience from living abroad, internationally-oriented jobs, and international work experience (Bloodgood, et al., 1996; Madsen and Servais, 1997), to determine whether they correspond with likelihood of firm internationalisation. However, Cavusgil and Naor (1987) showed age, education, place of college education, and foreign language skills to be poor discriminating variables between exporters and nonexporters. Andersson et al. (2004) found no support for the link between the age of the entrepreneur and international activities.

While objective factors have been explored, the subjective dimensions of the entrepreneur – how the entrepreneur perceives and decides to pursue international entrepreneurial opportunities – remain largely unexplored. An argument can be made for greater attention to these entrepreneurial subjective dimensions. The complaint of Baumol (1968: 66) that an 'entrepreneurship study that does not take into account the entrepreneur is like a study of Shakespeare in which the Prince of Denmark has been expunged from the discussion of *Hamlet*' is just as applicable to international entrepreneurship. There is a need to bring the entrepreneur back into international entrepreneurship, as there can be no international entrepreneurship without the entrepreneur. Oviatt and McDougall (2005: 540) had defined international entrepreneurship as *'the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services'*; it is the entrepreneur who discovers, enacts, and evaluates opportunities, and who decides whether the firm should exploit international opportunities.

Drawing on the entrepreneurship literature, and building on IE literature, the emphasis of this paper is on the role of opportunities and the entrepreneur-firm-opportunity nexus in internationalisation. An *opportunity-based approach* (OBA) to international entrepreneurship is advanced to argue that the process of internationalisation may be seen as the formation and exploitation of international entrepreneurial opportunities. The subjective, entrepreneurial ability to create an imagined future – 'prospection' – is examined to show how entrepreneurs use prospection to: creatively imagine combinations of firm capabilities and market opportunities to form entrepreneurial opportunities, and deal with the uncertainty inherent in internationalisation. A typology of entrepreneurial opportunity formation is advanced to explore opportunity discovery and the dimensions of opportunity creation: opportunity development, construction, and creation. It concludes by showing how an OBA can help explain the choice of foreign markets, early internationalisation, speed of internationalisation, and foreign entry modes.

2. Opportunity-Based Approach to Entrepreneurship

The theories of internationalisation and entrepreneurship have generally been pursued along distinct paths (Madsen and Servais, 1997), the result of a 'demarcation segregating international business and entrepreneurship' (McDougall and Oviatt, 2000: 902). Yet, international entrepreneurship research will be enhanced 'by importing concepts from the field of entrepreneurship' (Jones and Coviello, 2005: 285) and by better integrating it with the entrepreneurship literature (Madsen and Servais, 1997). If we are to understand international entrepreneurship better, we must understand the 'entrepreneurship' in international entrepreneurship first.

Shane and Venkataraman (2000) argue that the discovery and exploitation of profitable opportunities is the central concern of entrepreneurship research. This view is similar to Timmons' (1994: 7) conception of entrepreneurship as the 'process of creating or seizing an opportunity and pursuing it'. Shane and Eckhardt (2003: 218) set out an 'individual-opportunity' nexus in entrepreneurship and argued 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 (1990), view opportunity formation and exploitation as being at the heart of entrepreneurship.

Entrepreneurship starts with the formation of opportunities which is domain of the entrepreneur (Shane, 2000; Katz and Shepherd, 2003) while opportunity exploitation – a process dependent on the decision of the entrepreneur – is typically the province of the firm which, through its capabilities, turns opportunities into market outcomes (Whittaker et al., 2009). Bringing the entrepreneur and the firm together is responsive to Gartner's (1985) call for multi-level, multi-dimensional entrepreneurship research.

Opportunity-Based Approach to Entrepreneurship

(Figure 1)

Figure 1 indicates that opportunity processes can be studied along three dimensions: 1) opportunity formation; 2) opportunity decision; and 3) opportunity exploitation. These correspond broadly to Shane and Venkataraman's (2000: 218) key research questions about entrepreneurship: '(1) why, when, and how opportunities for the creation of goods and services come into existence; (2) why, when, and how some people and not others discover and exploit these opportunities; and (3) why, when, and how different modes of action are used to exploit entrepreneurial opportunities.' The OBA tells us that to understand entrepreneurship fully, the three dimensions must be examined. Applying the OBA to IE, it suggests further that the research focus of international entrepreneurship should not be limited to the internationalisation ('opportunity exploitation') aspect but to why, when, and how international opportunities are formed and the decision is made to pursue international opportunities.

3. Opportunity Formation and the Nature of Opportunity

How opportunities are formed – whether opportunities are like mountains 'just waiting to be discovered and exploited' or are mountains to be built – is an important question in entrepreneurship research (Alvarez and Barney, 2007: 11). The dominant paradigm in economics has been that opportunities are 'out there' to be discovered by an alert entrepreneur (Gaglio and Katz, 2001; Alvarez and Barney, 2007). Under the 'discovery theory', the failure of some to discover opportunities stems from entrepreneurial alertness that is not uniformly distributed in the population (Kirzner, 1985; 1992; 1997), information asymmetry (Shane and Venkataraman, 2000), or idiosyncratic knowledge that is contextually-defined (Hayek, 1945; Holcombe, 2003). As a consequence, not all individuals who are exposed to the same opportunity will discover it (Shane, 2000).

Kirzner (1997: 72) clarified that discovery is 'midway between that of the deliberately produced information in standard search theory, and that of sheer windfall gain generated by pure chance' and involves the discovery of opportunities that are often '*utterly* overlooked, i.e., that one is not aware at all that one has missed the grasping of any profit'. Discovery is different from successful search because the former 'involves the *surprise* which accompanies the realization that one had overlooked something in fact readily available. ("It was under my very nose!")' (*ibid.*). Kirzner's concept of discovery is the result of entrepreneurial alertness – 'the attitude of receptiveness to available (but hitherto overlooked) opportunities' (Kirzner, 1997: 72).

Opportunities, however, are not just discovered; they are created (Endres and Woods, 2007). 'Creation theory' [or the 'creative view' of Venkataraman (2003)] 'assumes that entrepreneur's actions are the essential source of these opportunities – they build mountains' (Alvarez and Barney, 2007: 15). Alvarez and Barney (*ibid.*) argued that 'opportunities are not assumed to be objective phenomena formed by exogenous shocks to an industry or market. Rather, they are created, endogenously, by the actions, reactions, and enactment of entrepreneurs exploring ways to produce new products or services'.

Venkataraman and Sarasvathy (2001: 9) argued that 'entrepreneurial opportunities often have to be "created" by using the entrepreneurial imagination to *embody* human aspirations in concrete products and markets'. The creative entrepreneurial act brings new realities and artifacts into existence (Buchanan and Vanberg, 1991). Buchanan and Vanberg (1991: 176) pointed out that future 'parts of a market simply do not exist; they are, by definition, not present. There are, at any point in time, many *potential* futures imaginable, based on more or less informed reflections. Yet, which future will come into existence will depend on choices that are yet to be made'. This suggests that entrepreneurial opportunities are endogenously formed by the entrepreneur through the process of discovery or creation.

The tensions between these views of opportunity are compounded by a diversity in terminology. Writers speak of: economic opportunities (Kor, et al., 2007), profit opportunities (Holcombe, 203), market opportunities (Gruber, et al., 2008), marketing opportunities (Kotler, et al., 1999), business opportunities (Longnecker, et al., 2010), innovative opportunities (Drucker, 1985), entrepreneurial opportunities (Shane and Venkataraman, 2000; Venkataraman and Sarasvathy, 2000; 2001; Sarasvathy, et al., 2003), and (plain) opportunities (Ansoff, 1980; Timmons, 1999; Katz and Green, 2009). We heed Bygrave and Hofer's (1991) admonition to pursue entrepreneurship research as 'good science', through the use of concepts with greater precision, by delineating our notion of entrepreneurial opportunity here.

Webster's New World Dictionary (1990) defines *opportunity* as 'a combination of circumstances favourable for the purpose', pointing to three important elements: 1) a *combination of circumstances*; 2) the combination of circumstances that are *favourable*; and 3) favourable *for the purpose*. In the context of an entrepreneurial opportunity, the combination of circumstances can be favourable for the purpose of *'formation of economic value'*, such as: 'creation of future goods and services' (Sarasvathy, et al., 2003: 143); introduction of 'new or future goods, services, inputs, resources, and ways of organizing' (Plummer, et al., 2007: 365); creating 'future economic artifacts' (Venkataraman and Sarasvathy: 2001: 5); or bringing 'into existence new goods, services, raw materials, and organizing methods' (Shane, 2000: 451). Regarding a *combination of circumstances that are favourable*, such circumstances must be located: 1) inside the firm from which the (potential) economic value is formed; and 2) outside the firm – in the market – where the economic value is realised. The combination of two circumstances that are favourable for the formation of economic value may be said to require: inside the firm – firm capabilities; and outside the firm – market opportunity – which individually viewed, may be deemed *nascent* opportunity elements. For an entrepreneurial opportunity to be formed, firm capabilities and market opportunity must be connected. The idiosyncratic nature of what is favourable implies that not all entrepreneurs perceive it in the same way. An *entrepreneurial opportunity* may then be defined as 'the creative combination of firm capabilities and market opportunity for the formation of economic value'. Conceptualised in this manner, the possible combinations of firm capabilities and market opportunity – conceived by the entrepreneur – towards an entrepreneurial opportunity are potentially extensive.

4. Typology of Entrepreneurial Opportunity Formation

We have said that the entrepreneur drives the formation of entrepreneurial opportunities through the creative combination of firm capabilities[1] and market opportunities[2]. We advance a conceptual framework (*Figure 2*) that captures how an entrepreneur forms entrepreneurial opportunities through opportunity discovery and the dimensions of opportunity creation, namely: opportunity development, opportunity construction, and opportunity creation using a *typology of entrepreneurial opportunity formation*.

		Market Opportunities	
		Current	New
Firm Capability	Current	**1** Opportunity Discovery	**3** Opportunity Construction
	New	**2** Opportunity Development	**4** Opportunity Creation

Entrepreneurial Opportunity Formation Quadrant

(Figure 2)

The perception by an entrepreneur of an existing entrepreneurial opportunity (where both firm capabilities and market opportunities exist) can be called *opportunity discovery* (quadrant 1). For example, CBA, a New Zealand firm, embarked on rapid internationalisation into Australia on account of Australian partners ready to distribute its products in that country (Coviello and Munro, 1995).

The development of new firm capabilities to pursue a current market opportunity (e.g. export order or market demand) can be called o*pportunity development* (quadrant 2). This is exemplified by the development of software manufacturing capabilities of IXI in order to meet a need in the international market for a desktop windowing computer software for UNIX operating systems (McDougall, et al., 1994).

The construction of a new market opportunity that a firm has the present ability to meet involves *opportunity construction* (quadrant 3). SPEA Software AG engaged in opportunity construction to venture abroad. Relying on its capabilities to manufacture computer graphic boards, it entered international markets without waiting for customer orders to be in place (McDougall, et al., 1994).

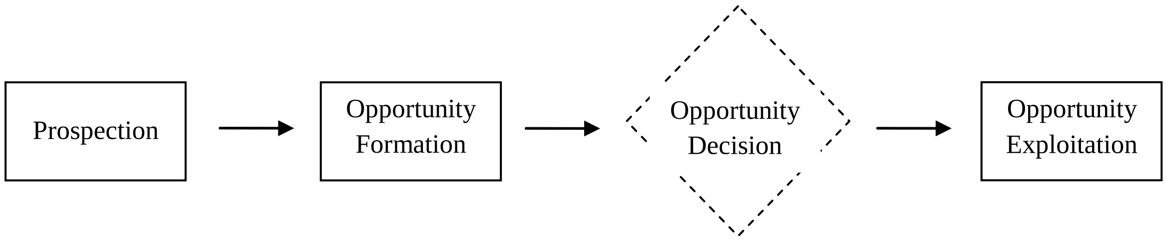
The creation of both new firm capabilities and a new market opportunity involves *opportunity creation* (quadrant 4) – a process that comes close to Lachmann's creation '*ex nihilo*' (Chiles, et al., 2007: 240). L.S. Shoen, founder of U-Haul, the largest rental fleet company in the world, created the do-it-yourself moving industry by building the first U-Haul trailers (firm capabilities) and creating the market for it (Sarasvathy, 2001).

The process of entrepreneurial opportunity formation influences both opportunity decision and opportunity exploitation as suggested by *Figure 1*. The entrepreneurial decision to pursue an opportunity is enhanced by the presence of both firm capabilities and market opportunity (quadrant 1). Where both entrepreneurial opportunity elements have to be created (quadrant 4), a task that is undoubtedly more complex, perhaps daunting, the entrepreneur may hedge a bit more. Opportunity development (quadrant 2) and opportunity construction (quadrant 3) lie midway between opportunity discovery and opportunity creation in terms of influencing the entrepreneur's decision to exploit an opportunity. Speed of opportunity exploitation is also affected by the process of entrepreneurial opportunity formation. Opportunity exploitation will be more rapid when opportunity discovery (quadrant 1) is involved. Both firm capabilities and the market opportunity are already in place. Opportunity exploitation will take longer when opportunity creation (quadrant 4) is involved since both elements of the entrepreneurial opportunity – firm capabilities and market opportunity – have to be created. The speed of exploiting a developed entrepreneurial opportunity (quadrant 2) depends on the complexities of developing firm capabilities. The impact of constructed opportunities (quadrant 3) on the speed of opportunity exploitation hinges on the challenges in constructing a market opportunity.

5. Creating the Imagined Future: Prospection and the Entrepreneur

The *opportunity-based approach* recognises the important role of the entrepreneur in the formation of, and the decision to, pursue entrepreneurial opportunities. Much has been written on the objective dimensions of entrepreneurs (age, level of education, language, etc.) Our interest lies in the subjective entrepreneurial dimensions in opportunity formation and opportunity decision. Endres and Woods (2007) had argued for a more 'subjectivist' orientation to understand the process of opportunity creation. A subjectivist orientation can draw on Lachmann, an Austrian economist who stated that social phenomena are 'the outcome of human action guided by plans (even though these often fail) and prompted by mental acts' (Lachmann, 1986: 22-23). According to Lachmann (1990: 246), the entrepreneur creates, 'by conjecture and reasoned imagination', an imagined future that, though unknown, is 'not unimaginable' (Lachmann, 1976: 59).

This entrepreneurial ability to create the imagined future, an entrepreneurial attribute we call *prospection*, is important in opportunity formation, opportunity decision, and opportunity exploitation *(Figure 3).* It is by prospection that the entrepreneur creatively imagines the possible combinations of firm capabilities and market opportunities to form entrepreneurial opportunities. Creative imagination is an imagination that 'creates or fabricates' (Engell, 1981: 172) and 'extrapolates from context, sifts out and disregards elements from the confusing welter of experience that would otherwise distract effort and blur focus' (Engell, 1981: 59).



(Figure 3)

It is also by creating the imagined future – by prospection – that the entrepreneur deals with the uncertainties inherent in opportunity exploitation. What is not known is creatively imagined. Prospection breaks through the constraints of present knowledge by imagining the future – a future both desired and alluring. Prospection is expansive and unfettered by reason, logic, knowledge, or experience. This may be what Baron (1999) alluded to as a cognitive bias in entrepreneurs, which often leads to excessive optimism and overconfidence. He acknowledged that a sense of optimism may be needed if entrepreneurs are to overcome the risks associated with entrepreneurship by exaggerating the odds of success. Prospection may also account for the high tolerance for ambiguity of entrepreneurs (Dickson and Giglierano, 1986). Entrepreneurs are able to tolerate ambiguity because they have in a sense reduced it by supplying the missing pieces of an ambiguous, uncertain world through prospection. Prospection may be associated with entrepreneurial orientation (Lumpkin and Dess, 1996), especially the dimensions of autonomy and proactiveness, and to self-efficacy (Bandura, 1986).

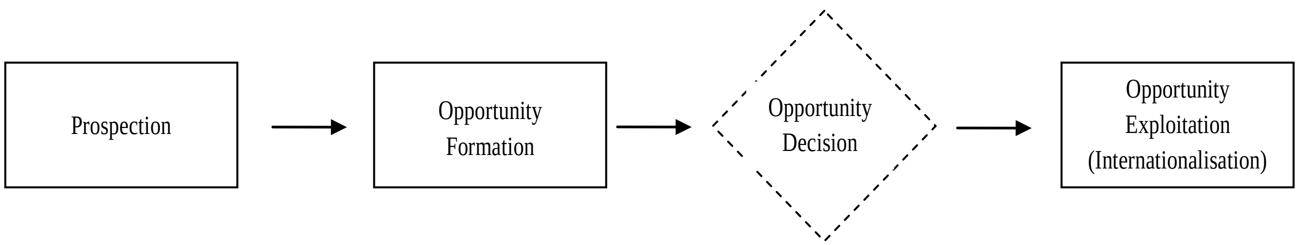
Prospection bears some similarities to effectuation. Effectuation, like prospection, seeks to transform the future through the process of opportunity creation (Sarasvathy, 2008: 17). But while effectuation propounds that entrepreneurs do not begin with specific goals but with available means which they use to negotiate and achieve emergent goals (Sarasvathy, 2001), prospection sees goals as *a priori* preceding human action. Prospection also shares some commonalities with Weick's enactment in that both are creative. Prospection, however, is future-oriented, and rooted in creative imaginations of the future while enactment is grounded in retrospective sensemaking (Weick, 1995).

Prospection may be important in international entrepreneurship since it might allow the entrepreneur to overcome the constraints of experiential knowledge and uncertainty that are central to stage- and innovation-related models of internationalisation. That which is not known can be creatively imagined by the entrepreneur through prospection. 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. What fails the test of reason is sustained by the moving and inspiring power of prospection.

6. Opportunity-Based Approach to IE: Internationalisation as Opportunity Exploitation

There is a need to better understand entrepreneurship in international entrepreneurship, and the role of opportunities in international entrepreneurship (Chandra, et al., 2009). Johanson and Vahlne (2006: 167) themselves have admitted that 'the opportunity side of the internationalization process is not very well developed in our earlier papers.' This neglected dimension of international entrepreneurship – the 'E in IE' – may provide new insights and better understanding of the process of internationalisation. Acknowledging the fundamental role of opportunities in international entrepreneurship follows the views of Zahra et al. (2005) and Oviatt and McDougall (2005) that international entrepreneurship is centred on the recognition and exploitation of opportunities.

The study of opportunity formation and exploitation in international entrepreneurship, which we call the *opportunity-based approach* (OBA), suggests that the process of internationalisation itself may be viewed as the formation and exploitation of international entrepreneurial opportunities. It is the entrepreneur, using prospection, who forms entrepreneurial opportunities and makes the decision to exploit them through the firm. This can be conceptualised through *Figure 4*:



(Figure 4)

The model suggests that preceding the process of firm internationalisation are the distinct entrepreneurial processes of prospection, opportunity formation, and opportunity decision. In other words, firm internationalisation – as the exploitation of international entrepreneurial opportunities – can be understood by examining the other antecedent entrepreneurial processes. Under the opportunity-based approach to IE, both the entrepreneur and the firm are legitimate subjects of inquiry. The entrepreneur is involved with prospection, opportunity formation, and opportunity decision while the firm is the vehicle for the exploitation of international entrepreneurial opportunities and possesses the capabilities to transform entrepreneurial opportunities into market outcomes (Whittaker et al., 2009).

The OBA differs from the conventional IE approaches which emphasise the process of firm internationalisation and stages of internationalisation. The OBA focuses on the entire process of prospection, opportunity formation, decision, and exploitation, and regards internationalisation as a constituent, end process – the pursuit of international entrepreneurial opportunities that have been formed by the entrepreneur. This latter point makes the argument that domestic entrepreneurship and international entrepreneurship are similar, rather than distinct, phenomena. Domestic entrepreneurship involves the pursuit of domestic entrepreneurial opportunities while international entrepreneurship involves the pursuit of international entrepreneurial opportunities. The locus of an entrepreneurial opportunity determines whether opportunity exploitation takes place domestically or internationally. Furthermore, under the OBA, the choice of foreign markets is determined by the locus of the entrepreneurial opportunity. If an export order, for instance, emanates from the Netherlands, internationalisation will take place in that country.

Conceptualising internationalisation under the OBA as the exploitation of international entrepreneurial opportunities can also provide an explanation as to how some internationalising firms seem to skip internationalisation stages, even becoming global at inception. Johanson and Vahlne (1977: 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 (1977) 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 be more attractive because of cost-advantages and availability of specialised resources. Under the OBA, internationalisation is non-deterministic.

The opportunity-based approach can also theorise on speed, early internationalisation, and entry mode of internationalisation. A discovered opportunity (quadrant 1 in *Figure 2*) 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 opportunity in order to internationalise. A new domestic firm that has strategic partners abroad can internationalise earlier 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.

7. Conclusion

This paper has sought to better understand the entrepreneurship in international entrepreneurship – the ‘E in IE’ – by exploring the central role of opportunity formation and exploitation in international entrepreneurship. In particular, through an opportunity-based approach (OBA) to international entrepreneurship, the paper has explored the entrepreneur-firm-opportunity nexus in internationalisation and suggested that the process of internationalisation may be conceived as the formation and exploitation of international entrepreneurial opportunities. The subjective, entrepreneurial ability to create an imagined future – ‘prospection’ – was also examined to show how entrepreneurs use prospection to: creatively imagine combinations of firm capabilities and market opportunities to form entrepreneurial opportunities, and deal with the uncertainty inherent in internationalisation. A typology of entrepreneurial opportunity formation was advanced to explore opportunity discovery and the dimensions of opportunity creation: opportunity development, construction, and creation. Finally, the paper outlined how the OBA can explain the choice of foreign markets, early internationalisation, speed of internationalisation, and foreign entry modes.

NOTES

[1] Firm capability refers to the capacity of a firm to undertake some task or activity (Grant, 2002) and involves ‘adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment’ (Teece, et al., 1997: 515). Firm capability is distinct from firm resources. Resources ‘are inputs into the product process’ (Grant, 2002: 118) and require firm capability for them to be integrated to strengthen a firm’s ability to compete (Longnecker, et al., 2010).

[2] Market opportunities emerge from: exogenous shocks, market disequilibrating factors, production-enhancing factors (Holcombe, 2003); the unexpected, incongruities, process needs, changes in industry or market structure, demographic changes, changes in perception, mood, and meaning, new knowledge (Drucker, 1985); changes in the global market place, inflationary trends, technology, growth saturation, emergence of new industries, rich customers, changes in customer demographics, government controls, consumer pressures (Ansoff, 1980); and changes in culture, wants, and perceptions (Schumpeter, 1934; Kirzner, 1979).

[3] Opportunity recognition is located in the same quadrant as opportunity discovery (quadrant 1 in *Figure 2*). Opportunity recognition involves sifting through data and searching for patterns (Timmons, 1994) to recognise existing entrepreneurial opportunities.

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