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International Entrepreneurship: The nexus of opportunity-value innovation

Abstract

Internationalization is a complex and a dynamic process. Literature on the development of the internationalization process of the firm has grown rapidly in the last two decades. Despite this rapid development, integration of the entrepreneurial aspect into international business studies is still in its infancy, without a strong theoretical direction. This study intends to address this gap by developing a framework of entrepreneurial internationalization process, in order to understand how international firms identify and develop cross boarder value creation. This paper suggests a general model of Entrepreneurial Internationalization Process (EIP). The model highlights the antecedents and the process of opportunity identification, development and exploitation. It integrates entrepreneurial intention, opportunity development with value creation aspect of the firm and explains how these three factors contribute to the internationalization process of entrepreneurial firms. The study also fills a much-needed contextual gap in the IE literature by studying mature firms in the agricultural sector of a developing country.

Introduction

Internationalization is a complex and a dynamic process. Literature on the development of the internationalization process of the firm has grown rapidly in the last two decades (Peiris, Akoorie, & Sinha, 2012). Despite this rapid development, integration of the entrepreneurial aspect into international business studies is still in its infancy, without a strong theoretical direction (Jones & Coviello, 2005). This study intends to address this gap by developing a framework of entrepreneurial internationalization process, in order to understand how international firms identify and develop cross boarder value creation. The main objective of this paper is to develop a general model of Entrepreneurial Internationalization Process (EIP). The model highlights the antecedents and the process of opportunity identification, development and exploitation. It integrates entrepreneurial intention, opportunity development with value creation aspect of the firm and explains how these three factors contribute to the internationalization process of entrepreneurial firms. The study also fills a much-needed contextual gap in the IE literature by studying mature firms in the agricultural sector of a developing country.

Research questions

The International Entrepreneurship (IE) scholars agree that the internationalization process is initiated by entrepreneurial opportunity (Oviatt & McDougall, 2005a). International opportunity identification is highlighted as key factor in explaining the underlying mechanism of internationalization process (Styles & Seymour, 2006). Furthermore, success and sustainability of the firm depends on the firm's ability of consistently creating value to its stakeholders. However, theoretical and empirical insights into the integration and application of these two factors are almost non-existent in the IE literature. This has led to the advancement of below two research questions:

Q1) What factors act as the antecedents of international opportunity identification?

Q2) How do entrepreneurs exploit identified opportunities and create value innovation in international markets?

Literature review and propositions

IE scholars repeatedly highlighted that single theory is incapable of understanding the entrepreneurial internationalization process. The literature review (for a comprehensive review see Peiris, Akoorie, & Sinha, 2012) clearly indicated that looking IE phenomena from a resource-based perspective enables the scholars to identify critical value adding components of the entrepreneurial internationalization process. As such, this study is primarily based on the Resource Based Theory (RBT) to understand the resource heterogeneity of the individual firm, and entrepreneurship theory to focus on how individuals use such resources to create value. IE scholars acknowledge the central roles played by the entrepreneur/team, firm resources, network resources in the internationalization process. Therefore, the next section looks at the pivotal roles played by these three factors and identify theoretical propositions to guide the rest of the study.

Entrepreneurial capacities

Drawing on literature pertaining to the international business theories, entrepreneurship, RBT, Knowledge Based View (KBV) and Dynamic Capabilities (DC) perspectives, this study conceptualizes five entrepreneurial level resources: *Prior knowledge*, *self-efficacy (SE)*, *creativity*, *existing knowledge* and *capabilities* as critical elements of the opportunity identification and development process.

The first three higher order elements (*prior knowledge*, *creativity* and *self-efficacy*) hold the potential entrepreneurial capacities that act as antecedents to opportunity identification and development. The next two entrepreneurial resources: *existing knowledge* and *capabilities* are the core elements in the process of opportunity identification that enables the entrepreneur/entrepreneurial team to identify, develop and exploit the opportunities in order to create value innovation (Kim & Mauborgne, 2004).

This leads to the following propositions:

PIa: *Entrepreneur's prior knowledge and experience affect their existing knowledge and capability base, leading to new opportunity identification development.*

PIb: *Entrepreneur's creativity affects their existing knowledge and capabilities leading to new opportunity development through creatively recombining existing resources.*

PIc: *Entrepreneur's self-efficacy affects their existing knowledge and capabilities leading to new opportunity development by being acutely aware about their capabilities and overcoming any deficiencies in them.*

By recombining the prior knowledge and experience, with the knowledge gained through other resources such as Social Capital (SC), firm tangible and intangible resources, entrepreneurs build, adapt, integrate, and reconfigure these resources with their capabilities and new knowledge, to match the requirements of a changing environment (Kogut & Zander, 1992; Teece, Pisano, & Shuen, 1997). The impact of SC and firm resources are discussed in the next section.

Social Capital

There is growing support for SC as an antecedent to knowledge creation through combination and exchange, provide information, support opportunity identification, and promote resources mobilization (Davidsson & Honig, 2003; Yli-Renko, Autio, & Tontti, 2002).

The study draws on Yli-Renko et al. (2002), Ardichvili et al. (2003) and Han, to identify the internal and external sources of social capital that provide resources for opportunity recognition and development process.

This leads to the following proposition:

P2: Entrepreneur's social capital affects their capabilities and knowledge, leading to opportunity development by providing, advice, information, resources and resource mobilization.

Access to resources

The possibility of opportunities being identified for venture creation and growth is dependent on the amount of resources that the firm has at its disposal (Gilbert, McDougall, & Audretsch, 2006). Similarly, when the venture becomes operational, access to resources that are valuable, rare, difficult to imitate (Barney, 1996) not only promote the survivability and growth of the firm, but also create room for new opportunities, faster internationalization, and innovation (Rialp & Rialp, 2007).

This leads to the following proposition:

P3: Entrepreneur's access to tangible and intangible resources affects their knowledge and capability base leading to opportunity development.

Entrepreneur's existing knowledge and dynamic capabilities

Scholarly work in the area of entrepreneurship and IE domain (Eriksson, Johanson, Majkgard, & Sharma, 1997; Johanson & Vahlne, 1977), identify various knowledge and capabilities related to successful internationalization of the firm. Based on these findings, this study conceptualizes three types of entrepreneurial knowledge domains: *technical knowledge* (expert knowledge in a specific activity, process, techniques and procedures), *conceptual knowledge* (knowledge about markets, industries, consumers, political and economic forces, and general management activities of the organization), and *social knowledge* (knowledge pertaining to understanding others and about the resources embedded in them (individuals, networks, institutions)). This leads to the following proposition:

P4a: Entrepreneur's implicit (practical/experiential) knowledge about the technical, conceptual and social elements affect his/her capabilities leading to international opportunity identification and exploitation.

Knowledge and capabilities, co-evolve, and they are integrated elements that work symbiotically to create value. Amit and Schoemaker (1993) defines capabilities at the firm level as the capacity to deploy resources. Being consistent with the DC perspective, this study identifies individual level capabilities (skills and abilities) as the capacity to integrate, recombine and deploy resources and knowledge in novel ways to create value-creating opportunities. Therefore,

opportunity exploitation involves a decision to act on value creating activities of the firm. As such, the knowledge of how to direct resources and capability to re-combine and transform resources to create value needs the skills of entrepreneurial actors (Schumpeter, 1934).

Similar to knowledge construct, the study proposes three capabilities: *technical capabilities* (proficiency in performing a specific task, activity, procedure, process or a technique). *Conceptual capabilities* (ability to identify and adapt to market trends, industry changes, quickly evaluate and modify organizational functions, plans and strategies) (Katz, 1974). *Social capabilities* (leveraging internal external relationships by leading and motivating the network partners, adapt to social situations by being able to read others accurately and make favourable first impressions)(Markman, 2006). This leads to the below proposition about entrepreneurial capabilities:

P4b: Entrepreneur's ability to adapt, synthesize and integrate his/her technical, conceptual and social capabilities affects international opportunity identification, development and exploitation leading to superior value innovation in international and domestic markets.

The final proposition focuses on the value creation aspects of the firm. Value creation is an outcome of exploitation of opportunities. According to Kim and Mauborgne (2005), value creation and innovation could result from four ways : by *eliminating* factors that industry takes for granted, *reducing* the cost, *raising* standards and *creating* innovations to shift the demand. In essence, firms achieve superior value creation by simultaneously implementing cost-leadership and differentiation strategies.

This leads to the below proposition:

P5: Internationalization path and its sustainability are affected by the level of value innovation made in international markets.

In summary, this study theorizes that entrepreneurial actors playing a critical role in the process of opportunity development and value innovation aspect of the firm. This process is also supported by the extent of firm level resources (financial, physical and human capital) and their social capital.

Method

This study uses multiple case study approach with embedded design/units of analysis. This approach allows the researcher to focus on specific phenomena in operational detail at individual (such as entrepreneurial capacities, knowledge and learning) and at the firm level (value innovation) (Yin, 2009). The method of selection of the case firms was based on a theoretical sampling approach. The main focus of the case study research is to build a theory, not to test it (Eisenhardt & Graebner, 2007); hence theoretical sampling is considered more appropriate than random or stratified sampling (Eisenhardt & Graebner, 2007). This study included eleven case firms (see Appendix 1) of the Sri Lankan agriculture based food manufacturing industry (eight from the tea industry, two from biscuit manufacturing and one mineral water bottling manufacturer). Data collection methods consist of ; (a) semi-structured interviews (30) targeting founding entrepreneurs/team or senior managers; supported by (b) supplementary expert interviews (6), and (c) review of publically available secondary data sources (newspaper articles, trade magazines, company brochures, company website).

All interviews were transcribed verbatim. The first interview round was conducted between April-August in 2010 and the second round was conducted in December 2011. This time gap enabled the interviewer to re-confirm the historical data and as well as to focus on fresh insights in to the study propositions by revisiting the literature. Each interview lasted one to two hours, and the transcripts were given to the respondents for their approval.

Maintaining a chain of evidence was accomplished using the NVivo software. This software was used as the case study database, where it linked interview transcripts, field notes, and other relevant documentation. This ensured that raw data remained securely linked to relevant areas of the case and citations were properly assigned to the relevant portion of the case study database. For analysing the data, this study adopted the deductive approach recommended by Yin (2009), where theoretical propositions were developed after an extensive literature review prior to data collection. The analysis procedure followed the recommendation of Ghauri (2004). First, the narratives of the events were organized chronologically. Second, data was coded according to the concepts and themes. Third, multiple case data was clustered using the NVivo software to categorize the cases findings according common themes. In-depth individual cases were written sequentially as the researched progressed. Finally, cross case findings were analysed using different query functions available in the software such as word frequency, text search, cluster analysis and using matrices to identify patterns and themes that supported and contrasted the existing theory.

Findings

Prior knowledge

The findings indicate two key facets about the prior knowledge construct. First, it is necessary to have prior knowledge about the markets, and ways to serve markets. Diversity and quality of this knowledge makes a significant contribution to the nature of opportunities that the entrepreneurs identify. For example, C01-DLM entrepreneur had the opportunity to travel to London for a training program. This was the first ever opportunity that is given to a Sri Lankan. The exposure he received from this experience was so unique, and it changed the way he looked at the tea industry. He made history by becoming the first individual to introduce branding into Ceylon tea industry. The case findings also found that when the prior knowledge is closely related to what is currently being observed, then it supports rapid learning (Cohen & Levinthal, 1990). Second, when the entrepreneur's perception moves away from analysing *what is available* to consider *what is possible* (Ardichvili, Cardozo, & Ray, 2003), this makes them venture into new areas with limited or no prior knowledge about such activities. This study found that even when prior knowledge was not directly related to the new business areas, this prior knowledge was beneficial for the entrepreneurs. The prior knowledge and experience in unrelated areas gave them the confidence in adding new businesses that complemented the existing business activities. This supports the Ronstadt's (1988) 'corridor principle', where entrepreneurs quickly recognize new venture ideas once they initiate their first venture.

This led to the below revised proposition:

PIa: The diversity and the richness of entrepreneur's prior knowledge and experience facilitate interpretation, acquisition and assimilation of new information through enhanced learning

capabilities, leading to new knowledge generation in both related and unrelated new venture ideas.

Creativity

The findings indicate that entrepreneurial creativity as a path dependent construct. Creative ideas do not come to the mind spontaneously as a result of having only the superior thinking ability, but it is a gradual process coupled with expertise, motivation and cognitive skills as identified by Amabile (1998). The case findings also indicate that the entrepreneurs who came out with novel ideas were highly skilled in their respective fields and extremely passionate about their work.

“When you travel you see something, when you work you see some new combinations, and even when you meet people you get new ideas, then you convert these ideas into different packs. For example, when I saw another product packed in, I just thought that this is very good for packing tea... When you see a wooden box of cigars, you think why we cannot I do the same for tea. And you do something new and you create new designs. After you take the first step it becomes easier because you are always looking at something with a critical eye to improve your business” (C03-MLS- Managing Director).

This led to the below refined proposition of creativity:

PIb: *Entrepreneurs who are passionate about their work with diverse exposure to different markets, products, and processes exhibit higher creativity levels affecting the generation of novel ideas leading to the development and exploitation of entrepreneurial opportunities, through an iterative process of learning and knowledge development.*

Self-efficacy and Perseverance

The case findings indicate two vital areas of SE influence on the opportunity development process. First, SE affects the confidence levels of the entrepreneurs and their abilities to execute actions required to produce certain outcomes successfully. This is in accordance with the findings of Bandura (1997). Second, a person with high SE is acutely aware about the levels of their capabilities. For example, the case entrepreneurs had a good understanding about what they are capable of and what they lacked in order to execute a certain task. This is notable for two reasons. When the entrepreneur is aware about his/her weaknesses or limitations, then he/she compensates this by seeking external support (by recruiting professionals and consultants). Another way to overcome these weaknesses or limitations is through explicit (theoretical) and implicit (practical) ‘learning’. For example, C01-DLM entrepreneur engaged in actively learning about wine making in order to create a tea blend similar to different types of wines. C05-IMT founder recruited professionals to overcome his limited marketing knowledge.

Another compelling finding is that entrepreneurs endure hard times throughout their entrepreneurial career. Younger the firm more difficulties they face in terms of limited resources, liability of newness, market uncertainties and social isolation. These entrepreneurs endure the hardships to thrive in challenging situations to embrace future opportunities. With the exception of C02-TTG, C04-HTG, C08-GEM, all other entrepreneurs exhibited persevering efforts to pull through difficult times. Enduring through such hardships has given them confidence in dealing with similar situations in the future. These findings indicated that *Perseverance* also having a positive influence on the opportunity development and exploitation process.

This led to the below refined propositions of SE and Perseverance construct:

P1c: *The higher self-efficacy levels facilitate interpretation, acquisition and assimilation of new information through enhanced confidence and learning capabilities, leading to new knowledge generation in both related and unrelated new venture ideas.*

P1d: *The higher perseverant levels make the entrepreneurs resilient against hardships and adversities, leading to enhanced learning capabilities, self-efficacy and firm survival, which supports new opportunity identification and exploitation.*

Social Capital

The case findings identified SC as a strong precursor to the speed and the extent of internationalization, supporting the existing literature. The resource constraints experienced at the individual and primarily at the firm level, were mitigated by the support of resourceful networks. For example, it is difficult for a small entrepreneurial firm with limited resources, knowledge and liability of newness to enter international markets or let alone identify an entry point into the market. C04, HTG, C05-MLS, C06-HSN, C08-GEM, started their ventures because of the support they received from their network contacts developed from previous work experiences. Another area of concern is the influence of weak and strong ties. The case findings indicate a strong support for weak ties in new opportunity development process. Almost exclusively, weak ties facilitated growth and new opportunity identification in international markets. The IE literature provide support for strong ties acting as a potential source of opportunity identification, since they hold valuable information about markets and they also act as bridges to link network resources (Bell, Crick, & Young, 2004; Chandra, Styles, & Wilkinson, 2009). Study findings support this and indicate that strong ties are also prominent at the venture formation stage. This is the phase where the entrepreneur is most vulnerable to failure due to lack of legitimacy, collateral, network embeddedness and resources, and they tend to seek support from their strong ties rather than weak ties.

The case findings identified two primary sources of SC. First, “trust” between the entrepreneur and her internal (within the firm) and external (outside networks consisting of both social and business) relationships as a key reason to engage in cooperative behaviour that leads to new information generation and opportunity identification. The second key element was ‘*perceived strategic value of exchange*’. Network partners must perceive that by being in a partnership, there are either tangible (physical resources) or intangible (knowledge, information and psychological) potential benefits for developing value creating opportunities. This affects the trust and in turn contributes to development of SC leading to new resource combination

Finally, the third aspect focuses on how entrepreneurs derive SC. The entrepreneurs captured the embedded knowledge, capabilities and resources in networks through learning from their interactions and experiences. The assimilation and use of network knowledge and resources represents the learning capabilities of the entrepreneur.

The discussion in this section leads to the refinement and development of below propositions:

P2a: *Entrepreneurs social capital is a critical element in opportunity development process, where the entrepreneur gets access to privileged information, knowledge, capabilities and resources.*

P2b: *The resources embedded in SC is identified by entrepreneur through learning from network interactions, where relational trust and strategic value offering of network partners act as the foundations of formation and decay of such partnerships.*

Access to resources

The firm level resources (financial, physical and human) moderate the entrepreneur's ability to develop new opportunities by way of providing a wider choice for new resource combinations. The study found support for Sarasvathi's (2001) effectuation theory. Entrepreneurs start their ventures with a set of means and create possible outcomes with that set of means. As such, the case entrepreneurs developed the firm resource base using three ways: through bricolage, through re-investments of earnings, and using external networks. Collectively these acts lead to '*strategic preservation*' of firm resources. That is by accumulating more resources the firm relies less on the borrowed capital from financial institutions and takes advantage of its own resourcefulness and flexibility.

This led to below refined proposition:

P3: *Entrepreneur's access to financial, physical and human resources moderates the opportunity development process by constraining or enhancing the extent of new resource combinations.*

The opportunity identification research has given much attention to entrepreneurial attributes (prior knowledge, cognitive mechanisms, heuristics, or creative abilities) that act as antecedents of opportunity identification, without much focus on the process of acquiring such attributes (the process of learning) (Corbett, 2005). This study found learning to be an important element in the process of opportunity development. It is through learning that entrepreneurs build new knowledge; together these two variables develop the capabilities of the entrepreneur. As such, these three variables: *learning* (new theme), *knowledge* and *dynamic capabilities* work in tandem to explicate 'how' opportunities are developed and exploited by the entrepreneurs.

Entrepreneurial learning

The cross case findings indicated that entrepreneurs possessed significant prior experiences in the industry and markets, higher self-efficacy levels, but their level of entrepreneurial knowledge depended on the learning intensity. Learning is the key link that connects entrepreneurial capacities, firm and network resources to generate new knowledge. For example, entrepreneurs in C01-DLM, C03-MLS, C05-HTG, C07-AMZ, C10-CBL and C11-PPL were highly alert and able to explore new product and market possibilities as a result of intense learning (learning from every opportunity). These unique learning experiences of the entrepreneurs led to distinctive knowledge stocks, which later contributed to identify new exploitable entrepreneurial opportunities. As such, not only learning generates new knowledge, it also serves to reduce uncertainty and make entrepreneurs alert and keep them abreast with the latest market changes, new technologies and competitive developments. Successful entrepreneurs are avid learners; they use every opportunity to learn through direct experience, observation and codified (explicit) sources.

"I take every opportunity to learn, you never stop until you die. Your experience and the learning you get out from it (being in the business) is important." (C03-MLS- Managing Director)

Drawing on case findings a new proposition on entrepreneurial learning is given below:

P4c(a): *Entrepreneurs distinctive experiential, observational, and learning through explicit sources lead to combine exiting concepts and information to create idiosyncratic new knowledge bases consisting of technical, conceptual and social knowledge of the entrepreneur.*

Entrepreneurial knowledge

The BG literature identifies knowledge base resources as having a positive impact on the superior international business performance. However, there is little empirical research aimed at uncovering the knowledge types that lead to superior international performance (Knight & Cavusgil, 2004). Except for C08-GEM and C11-PPL, all other entrepreneurs had expert technical knowledge about their products. All the tea exporting firm entrepreneurs and the C11-PPL entrepreneur had gained experiential knowledge about the international markets, competition, suppliers, and customers at the time of starting their ventures. The firm C09-MBM started with no international market knowledge and approached the international market gradually. On the other hand, C10-CBL had relatively higher international market knowledge through working with international strategic alliances and was able to identify international market opportunities faster than C09-MBM. It was also found that case entrepreneurs had substantial knowledge about the resources embedded in their social networks and were knowledgeable about their needs and motives. Another important aspect of knowledge is that its ability develop organizational capabilities consisting of critical competencies (Knight & Cavusgil, 2004). Perceiving this from an entrepreneurial perspective, knowledge acts as the precursor to engender individual capabilities. It is also found that entrepreneurial knowledge is interrelated and reciprocally dependent on the skills and abilities of the entrepreneur.

Refined proposition of entrepreneurial knowledge:

P4: *Entrepreneur's explicit (theoretical) and implicit (practical) technical, conceptual and social knowledge facilitates new opportunity identification and development and contributes to develop the entrepreneurial dynamic capabilities.*

Entrepreneurial dynamic capabilities

Entrepreneurial capabilities consist of skills and abilities of the entrepreneur that enables him/her to adapt, synthesize, integrate current and acquired knowledge to reconfigure resources to exploit value creating opportunities. In essence, it is the entrepreneurs capacity to deploy tangible and intangible resources through organizational process in order to sense, shape and seize opportunities (Teece, 2007). This leads to two critical components of international opportunity development and exploitation. First, unique knowledge possessed by the entrepreneurs determines the nature of opportunities they develop. As such, knowledge gives them access to new opportunities. Second, how these opportunities are exploited is determined by the level of dynamic capabilities of the entrepreneur. In summary, the capability of these entrepreneurial individuals to use their knowledge (intangible), network and the firm resources (both tangible and intangible) to adapt, integrate and reconfigure to meet changing market conditions and develop value creating propositions in a timely manner, determined the nature of firm's international trajectories, growth and survival.

This leads to the below refined proposition:

P4b: *Entrepreneurial dynamic capabilities consist of enabling capacity to integrate, build and reconfigure internal and external resources by sensing and seizing opportunities and exploiting them in a timely manner to create value in international markets.*

The nexus of opportunity and value innovation

The case findings provide interesting future directions for the theoretical development of IE domains. First, the findings support that BG phenomenon is a common occurrence across in every industry from high-tech to agricultural based. Companies become BG when they identify an opportunity to exploit and are capable enough to create value in that market.

Second, the survival of internationalising firm depends on continues value innovation of the firm. This applies to both BG and traditional firms. Thus, providing new insights to how traditional companies expand their international activities. The Uppsala model (Johanson & Vahlne, 1977) and its later version (2009) considers the firm's internationalization path as a gradual stage wise process dependent on knowledge and commitment of the focal firm. However, this study found that value innovation as a precursor to internationalization process. Knowledge and commitment do have their roles to play in the internationalization process, but they are not sufficient conditions to drive the internationalization process of the firm. In this study, the companies (C02-TTG, C04-HTG), that exhibited higher knowledge and commitment did not develop their stage of development beyond direct exports. The firms that exhibited higher value innovation capabilities reached higher stages of internationalization by establishing sales offices, own warehouses, joint ventures and even overseas production units.

The above discussion confirms the initial proposition developed based on the literature review.

P5: *Internationalization path and its sustainability are affected by the level of value innovation in international markets.*

Another riveting finding is that all the tea exporting companies were established to serve overseas markets from the inception, but their internationalization growth paths were determined by the specific entrepreneurial intentions. For example, C01-DLM, C03-MLS, C05-IMT, C07-AMZ, had clear intentions to develop their own brands. Not only these companies achieved their intended objective, but also steered the industry to a whole new competitive level in the international markets. Traditional firms (C09-MBM and C10-CBL) started with the domestic focus, but C10-CBL had a strong intention to expand its activities across the borders from the inception. This made a difference in the extent of how these two firms internationalization progressed over the years. C09-MBM has just started taking part in international exhibitions, whereas C10-CBL started actively searching for overseas customers two decades ago. Today, C10-CBL is the leading exporter of confectionery products in Sri Lanka.

In summary, entrepreneurial intention is the instigating point of the internationalization process. Once the intention is formed to start a venture (targeting either international or local market) then entrepreneurs become sensitive to opportunities relevant to that area and they focus on developing and building tangible and intangible resources towards achieving their goals.

This relationship is depicted in figure 1 below.

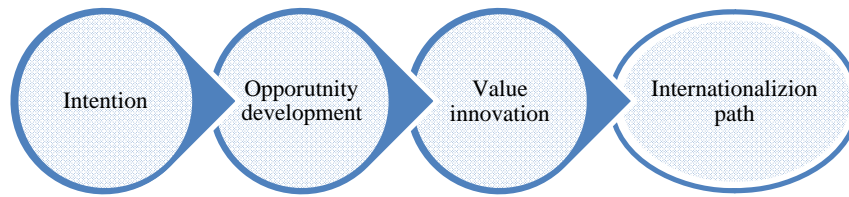


Figure 1: Key factors influencing the internationalization path

Therefore, the internationalization path of a firm can be seen as a result of three key factors: intention, opportunity development, and value innovation.

This discussion led to the below final proposition related to ‘entrepreneurial intentions’:

P6: *Entrepreneurial intentions determine the nature of entrepreneurial behaviour in the internationalization process and influence the opportunity identification, development and value innovation activities of the firm.*

The next section introduces a general model of entrepreneurial internationalization that outlines the co-evolving, co-dependent and integrative nature of the variables discussed so far.

Discussion and theoretical implications of EIP model

There had been numerous internationalization process models suggested by scholars since Johanson and Vahlne’s seminal work in 1977. The Uppsala model and other similar models of that time (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) focused on the stages of internationalization without specifically looking at why it happens. These models did not explain the inconsistent patterns exhibited by internationalizing firms, and did not consider the strategic behaviour of decision makers, undermining the dynamic nature of the whole process. The general EIP model (see Appendix 2) developed in this study addresses these deficiencies and argues that the internationalization path is dependent primarily on the nature of exploitable opportunities and the value innovation ability of the firm. Three decades later, Johanson and Vahlne (2009) highlighted the importance of discussing the opportunities in the internationalization process. They revised the earlier model to include opportunity recognition as a subset of knowledge (needs, capabilities, and strategies), and introduce learning, commitment and network position as new variables. The EIP model accepts the value of learning and knowledge, but differs from their view and provides a stronger justification for why firms internationalize in the first place, and how opportunities are developed through a gradual process of intending, learning, comprehending, refining and engaging in value creating activities.

The internationalization process suggested by Uppsala model is directly applicable to firms with a local market focus, for example, the two local market oriented biscuit manufacturing companies exhibited stepwise internationalization patterns. All the tea companies and the water-bottling manufacturer started as born global firms. The Uppsala model does not adequately explain this varying level of internationalization. The tea companies did not internationalizes because it had

the knowledge, the trust or the commitment nor they had the network connections. These factors do matter and significantly influence the internationalization process, but most importantly they had the intention to internationalize from the inception, had a product proposition that enabled them to create more value in the international market, and the opportunity was created as a result of a complex and dynamic integration of entrepreneurial, firm resources and social capital factors.

Another interesting factor is that the level of internationalization may not be ascertained by simply looking at the development stages of the internationalization process, such as from no exports to overseas manufacturing. As per the case examples, tea companies can only develop up to a stage of setting up sales offices and distribution centres in international markets. They cannot set up manufacturing centres in overseas markets since the main source of competitive advantage is in the raw material, i.e. the Ceylon tea (unique taste of Ceylon tea is a result of Sri Lanka's climate, soil, know-how and orthodox manufacturing processes). The EIP model addresses this issue by focusing on the value innovation construct. Where a firm will only grow up to a point that it can generate significant value proposition for its market, beyond that any form of internationalization or growth only brings diminishing returns.

The network perspective has provided many insights into rapid internationalization (Kiss & Danis, 2010) as sources of resource, a mode changer and a credibility builder for firms (Coviello, 2006; Coviello & Cox, 2006; Ellis, 2000). However, network approach has been criticised for its lack of predictive power as network resources are seen as ways to overcome resource deficiencies of a firm rather than being the actual drivers of internationalization (Loane & Bell, 2006). What is more important is not only how much resources that entrepreneurs have access to but also how entrepreneurs use such resources to create competitive advantage in international markets. The critical role played by the networks is captured through the SC construct in the EIP model. SC functions as a moderator variable that influences the value innovation process of the firm. As such, network relationships, and resources that are embedded in them are considered as another source for the opportunity development process.

The IE researchers have developed theoretical models to understand the new venture internationalization process, mainly looking at the factors (founder, organization and environment) influencing BG propensity (Madsen & Servais, 1997), traditional, BG and born-again global path ways based on external and internal environmental and managerial characteristics (Bell, McNaughton, Young, & Crick, 2003), antecedents (entrepreneur, firm, fingerprint patterns and profiles) of international performance (Jones & Coviello, 2005), speed (Oviatt & McDougall, 2005b), survival and growth (Sapienza, Autio, George, & Zahra, 2006), and BG nature and performance (Rialp & Rialp, 2007). Collectively, these models have contributed immensely to the development of IE research expanding the scope, breadth and complexity. However, individually none of the models captured the dynamics of internationalization from an integrative and a holistic perspective. Except for Oviatt and McDougall (2005b) none of the models considered entrepreneurial opportunity as the primary initiating factor of the internationalization process. The EIP model goes a step further and suggests that its entrepreneurial intentions that provide impetus to the emergence of opportunity development process that leads to firms internationalization. EIP model gives prominence to the external environmental factors and also identifies the decisive role played by the feedback mechanism and how individual, firm and networks are affected by the outcomes.

Conclusion

This study addressed a theoretical gap in the IE literature by developing an opportunity based internationalization model focusing on individual, firm and network level constructs. It also developed propositions addressing the key elements of the model. The EIP model introduced here identified internationalization process as a path dependent gradual and process that consists of co-evolving factors. This model supports any form of internationalization paths, such as BG, traditional or born again global. Since it specifically focuses on individual, firm and network resources at the time of venture formation and answers 'why' firms internationalize (i.e. opportunity and value innovation propensity), rather than what type of firms or what happens when firm internationalize. This model paves way for a truly dynamic theory of an entrepreneurial firm internationalization.

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Appendix 1

Table 1: Summary of case firms

Case	Industry	Ownership	Prior Industry experience		Year Started	First export	Generation	Growth	Size	Current FSTS	Value creation
			Other	Same					Empl		
C01-DLM	Tea	Private (Family)	2	10	1962	1962	1 st & 2 nd	High	<1000		Very high(10% bulk)
C02-TTG	Tea	Private (Team)	20	30	1979	1979	2 nd	Medium	<100	99%	Low (90% bulk)
C03-MLS	Tea	Private (Family)	-	13	1982	1982	1 st	High	<350	95%	Very high (1% bulk)
C04-HTG	Tea	Private (Family)	-	21	1994	1994	1 st & 2 nd	Medium	<160	100%	Low (76% bulk)
C05-IMT	Tea	Private (Family)	-	17	1994	1994	1 st	High	<700	100%	Medium(55% bulk)
C06-HSN	Tea	Private (Team)	2	12	2000	2000	1 st	High	<150	100%	Low(86% bulk)
C07-AMZ	Tea	Private (Team)	-	14	2000	2000	1 st	High	<300	100%	High (30% Bulk)
C08-GEM	Tea	Private (Family)	10	2	2002	2002	1 st	Low	<50	100%	Low (95% bulk)
C09-MBM	Bakery	Private (Family)	24	12	1954	1963	2 nd & 3 rd	Low	1500	5%	Low
C10-CBL	Bakery	Private (Family)		8	1968	1982	1 st & 2 nd	High	5000	20%	High 90% branded
C11-PPL	Beverage	Private (Team)	5	-	1994	1994	1 st	High	<350	70%	High 99% branded

Appendix 2

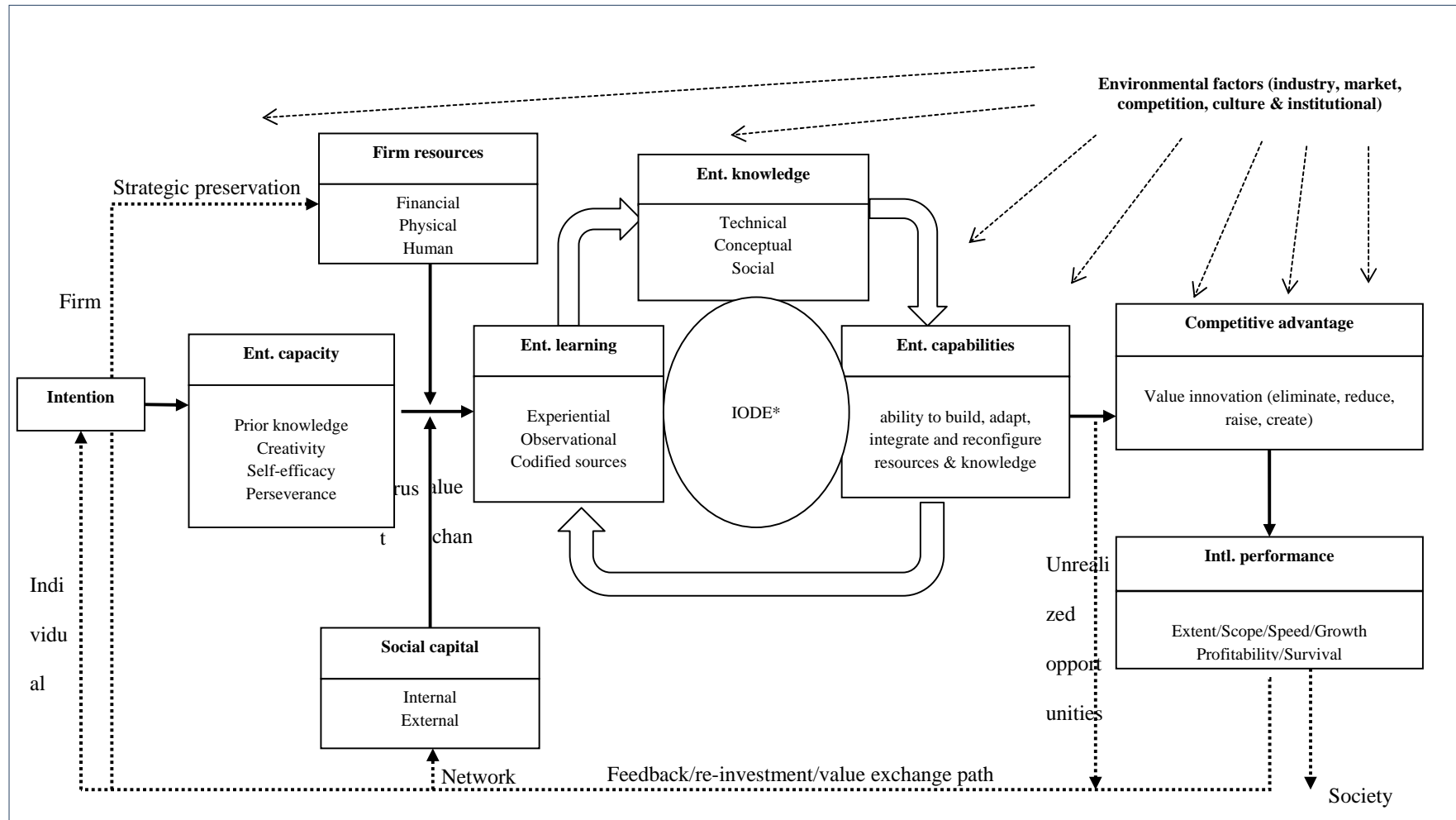


Figure 2: Entrepreneurial Internationalization Process (EIP) model

IODE*: International Opportunity Development and Exploitation