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**Analysing the role of Framework Conditions Influencing International Entrepreneurial Opportunity Identification Process**

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| **A B S T R A C T** | | | |
| **Objective**: The objective of this paper is to determine and analyse the framework conditions that influence the entrepreneurial opportunity identification and action in the international market context. | | | |
| **Research Design & Methods**: Scholars from the International Business and International Entrepreneurship (IE) research fields have agreed that the process of internationalisation kicks off with opportunity identification. The extant literature is reviewed by assessing the framework conditions that domestic and international markets offer for entrepreneurial actions. An analytical juxtaposition of the influential factors is conducted in the light of the various stages of the opportunity identification process by examining − at each stage − the possible effects of domestic and international context. | | | |
| **Findings:** This paper brings into the IE discussion a conceptual matrix of the various elements and factors − external conditions – which influence the creation of nexus by entrepreneurs to the markets. | | | |
| **Implications & Recommendations:** The conceptual matrix offers new insights for theoretical development and arguments for the designing of empirical research in terms of external conditions. It is expected to provoke more theoretical and practical questions from scholars within the IE field. | | | |
| **Contribution & Value Added:** The originality of this work lies in proposing a comprehensive framework to understand how context interact with the entrepreneurial opportunity identification process. | | | |
| **Article type:** | Conceptual paper | | |
| **Keywords:** | International entrepreneurial opportunity process; Market context | | |
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**INTRODUCTION**

Theory and practice of international business (IB) and entrepreneurship recognise the critical role of the entrepreneur in the successful internationalisation of the firm (McMullen & Dimov, 2013; Oyson & Whittaker, 2015). These domains have been theoretically and methodologically integrated by forming the field of international entrepreneurship (IE) (Allen, 2016; McDougall & Oviatt, 2000). Authors in the IE field have widely researched the entrepreneur’s pursuit of conducting cross-border activities and competing in markets (Schweizer, Vahlne, & Johanson, 2010). In this regard, entrepreneurial action fosters cross-border activities by combining individual as well as firm-level capabilities. IB and IE fields have agreed that the process of internationalisation kicks off with the entrepreneurial opportunity process, which is also the starting point and the core of conceptualization of entrepreneurship (Shane & Venkataraman, 2000).

Concept of opportunity identification in international entrepreneurship has been generally focused on the sources of opportunities (Eckhardt & Shane, 2003), entrepreneurs’ approach to opportunity exploitation (Sarasvathy, 2001), and the discovery of opportunity (Alvarez & Barney, 2007; Andersson & Evers, 2015; Busenitz, Plummer, Klotz, Shahzad, & Rhoads, 2014; Muzychenko & Liesch, 2015). These issues together constitute the individual−opportunity nexus in entrepreneurship (Davidsson, 2015; Shane & Venkataraman, 2000) (Shane & Venkataraman, 2000). Likewise, these topics have contributed greatly to strengthen the conceptualization of the opportunity as an applied process by entrepreneurs in the quest for initiating a venture (Davidsson, 2015). However, opportunities do not just come from the entrepreneurs’ impetus (Wood & McKinley, 2010). Markets of different levels and locations are constantly faced with the challenges due to fast-paced changes in the customer needs and preferences or production patterns (Hernández, Martínez Piva, & Mulder, 2014). These challenges come from financial volatility in markets, rapid technological innovation, changing customer preferences, the growth of new segments in the market, culture, demography rates, institutional framework conditions, macroeconomic conditions, and the natural environment (Davidsson, 2015; OECD, 2016). Recently, Davidsson (2015) has combined these features under the label external enablers. External enablers’ idea reflects the ever-increasing level of dynamism in the market conditions. This implies that an opportunity does not only emerge from the individual mindset, but also a business opportunity can have its origin from the external environment around the entrepreneur (Davidsson, 2015). If one takes the context of IE, this dimension necessitates a more detailed conceptual exploration to examine how entrepreneurs deal with these external enablers. Particularly, the connection between the individual level and the external enablers’ level elicits two conceptual enquiries - do entrepreneurs apply a different kind of approach to identify entrepreneurial opportunity in a different market context? Do the challenges of domestic or international markets play a differentiating role in the entrepreneurs’ decision-making process? For addressing these enquiries, this paper devotes to a theoretical exploration of the conceptualization of the opportunity recognition by the entrepreneurs in differential market contexts i.e. domestic and international. The answers to these questions will contribute to the IE scholarship with new insights about the role played by certain external factors that push the entrepreneurial action through the stages of the opportunity recognition process. Thus, this paper aims to determine the framework conditions that influence the process of identification of entrepreneurial opportunities in international market context and analyses how such the framework conditions play their role in this process.

**MATERIALS AND METHODS**

This paper is predominantly based on the review of the literature from the relevant areas of entrepreneurship research. Specifically, the IE domain provides a conceptual framework by emphasising the international entrepreneurial opportunity process. Hence, the major contribution of this paper is the creation of a conceptual framework in order to rationalise the role of external factors on the entrepreneurs’ opportunity recognition process. In order to review the literature, first and foremost, the authors identified the seminal works about entrepreneurial opportunity concept. Limiting the search to the concept of entrepreneurial opportunity allowed the researchers to have an overview of the conceptualization of the role of the market context regarding the opportunity process. The search was limited to scientific literature focus on articles from peer review journals. This search was conducted in the major entrepreneurship research academic databases e.g. Proquest, EBSCO Host, and JSTOR. Equally important, academic browsers such as science direct, SpringerLink, and google scholar were used. The search was established without limiting the period of publication. This allowed the researchers to track the origin of the discussion about the opportunity concept in the areas of entrepreneurship and international business.

Secondly, once the most important stream was identified within the entrepreneurial opportunity concept, keywords were used such as i) entrepreneurial opportunity, ii) opportunity identification, iii) opportunity recognition, iv) international entrepreneurial opportunity, and v) opportunity development process. These were identified within the domains of IE, international business, entrepreneurship and strategic management. Thirdly, the analysis of the extant literature focused on those papers that discuss the issue about the external environment, external enabler, business environment, framework conditions. We created a protocol to the literature found and divided into themes and areas. Finally, we narrow the discussion into those papers that focus on the aim of the study.

As result of this conceptual in-depth analysis, we propose a comprehensive matrix in order to analyse the decision phases through which of entrepreneurs go in case of dealing with identification of a viable entrepreneurial opportunity.

**Literature review**

IE is a well-established academic domain (Coviello, McDougall, & Oviatt, 2011; Dimitratos, Buck, Fletcher, & Li, 2016). It has been a flourishing field that has contributed to expanding the discussion of entrepreneurship. IE is the result of a cross-disciplinary research international business and entrepreneurship (Allen, 2016; Coviello et al., 2011; McDougall & Oviatt, 2000; Ngo, Janssen, & Falize, 2016). Authors point out that IE domain has particularly paid attention to themes such as entrepreneurial internationalisation of ventures, international comparisons of entrepreneurship, and comparisons across countries or cultures. Within these themes, various issues have been studied, such as venture type, internationalisation, networks and relationships, internationalisation patterns and process, and organisational issues among others (Jones, Coviello, & Tang, 2011). IE does not only cover topics related to internal aspects of the firm but also how entrepreneurs interact with external factors such as the dynamic of international markets. In this sphere of analysis, the study of networks has provided the backdrop to analyse opportunity recognition (Ardichvili, Cardozo, & Ray, 2003; Mainela, Puhakka, & Servais, 2014).

Researchers from different schools of thoughts agree on the relevance of opportunity to foster entrepreneurial action (Chandra, Styles, & Wilkinson, 2015; Greblikaite, Sroka, & Gerulaitiene, 2016; Grégoire & Shepherd, 2012). “Without an opportunity, there is no entrepreneurship” (Short, Ketchen, Shool, & Ireland, 2010, p.40). While IE and entrepreneurship scholars agree to the statement, a consensus on the ontological foundations of the concept of opportunity is yet to come by. Somehow, either the ontological discussion about the opportunity concept or the related elements to exploit an opportunity have drawn attention within the academic community.

Opportunity is at the core of each entrepreneurial initiative (Short, Ketchen, Shook, & Ireland, 2009). “Entrepreneurs develop business opportunities to create and deliver value for stakeholders in prospective ventures” (Ardichivili et al 2003, p 113). In this sense, it is the exploitation of an opportunity which allows the entrepreneur to fit their value propositions to an unsatisfied need in the market. Based on the seminal works of (Schumpeter, 1934), (Kirzner, 1973) and (Casson, 1982), (Ardichvili et al., 2003) pointed out that opportunities help to meet market demand through the combination of resources by entrepreneurs. Hence, from the entrepreneurship perspective, an opportunity is the result of how entrepreneurs combine resources and capabilities that are at their disposal (Mary George, Parida, Lahti, & Wincent, 2016; Shane & Venkataraman, 2000; Wood & McKinley, 2010). What is also needed is to differentiate a daily basis chance within the process of doing business from the identification of one chance which can originate a new venture, new product or new services delivered to the market. Being more specific, entrepreneurship theory explains an entrepreneurial opportunity as a concept which is defined as a set of circumstances “in which new goods, services, raw materials, markets and organising methods can be introduced into the formation of new means, ends, or means-ends relationships” (Eckhardt & Shane, 2003). It is important to highlight that in terms of entrepreneurial action the exploitation of an opportunity represents the offer of newness. So those chances used by entrepreneurs to promote their current products/services, to improve their position in an already established market, or the improvement of internal process thanks to external information are just results of the daily strategic managerial performance. Thus, entrepreneurial opportunity[[1]](#footnote-1) is understood as “an entrepreneurially discovered or created situation in which new goods, services, raw materials, markets and organizing methods are conceived as having a potential for exploitation through entrepreneur-led action to form and transform them into new means, ends, or means-ends relationships” (Oyson & Whittaker, 2015). The concept of opportunity itself has emerged as a pivotal entrepreneurial factor which covers the novelty of entrepreneurial ideas according to the classic perspective such as the one posted by (Schumpeter, 1934). Given the argument, it is necessary to review this concept with the backdrop of international markets perspective in light with the IE domain.

**Opportunity Identification in the International Context**

It is highlighted that the entrepreneurial opportunity identification process adopts new elements when this process is developed to make full use of an international set of favourable circumstances (Alvarez, Barney, & Anderson, 2013; Chandra et al., 2015). Authors have coined this process as international opportunity identification, defined as “the recognition and exploitation of entrepreneurial opportunity that leads to new international market entry” (Chandra, Styles, & Wilkinson, 2009). (Muzychenko & Liesch, 2015) add more elements by defining an international opportunity as “the likelihood of conducting an exchange with new or existing partners, such as foreign intermediaries of foreign customers, in new international markets” (Muzychenko & Liesch, 2015, p.705). This conceptualization of an opportunity in the international market gives an idea that antecedents of entrepreneurial opportunity identification are likely to differ in their compositions and effects according to the market context. Such differences are expected to be more prominent when entrepreneur’s opportunity identification efforts are compared between international and domestic market context. From the individual level perspective, it is possible to note the significance of social capital as a crucial factor in order to facilitate the way to locate the context for business ideas. That is to say, entrepreneurs may use their social capital when deciding to target domestic or international markets. For instance, this is possible by identifying international opportunities through personal contacts (Oyson & Whittaker, 2015). Additionally, key issues about opportunity identification process in international markets are entrepreneurial cognition, prior knowledge, and industry context. However, from the conceptual point of view, the logic of the interplay among such as factors should be clarified. These elements neither interact nor influence the opportunity identification process by a linear sequence. It is needed to understand the logic of their hierarchical interplay as an antecedent for the core stages of the development of an opportunity. Furthermore, factors such as culture and the impact of institutions should be part of the analysis to widely grasp the entrepreneur vision to select markets. In other words, external enablers are needed as part of the opportunity process. In this regard, to have a better picture of which factors affect the process, it is required to observe the structure of the opportunity identification process itself.

**Unbundling the Entrepreneurial Opportunity Identification Process**

Understanding opportunity − as vital factor within the entrepreneurial activities − the conceptual discussion in the literature has turned into the debate of whether entrepreneurs identify or recognize opportunities (Alvarez et al., 2013; Andersson & Evers, 2015; Ardichvili et al., 2003; Chandra et al., 2009; Chandra et al., 2015; Eckhardt & Shane, 2003; Heilbrunn, 2010; Mainela et al., 2014; Mary George et al., 2016; Oyson & Whittaker, 2015; Shane, 2000; Vaghely & Julien, 2010). This peculiar debate is quite important due to the need to capture the process itself. As a dominant paradigm, the entrepreneurial opportunity is seen as a construction of the entrepreneur (Shane & Venkataraman, 2000). As many scholars explain entrepreneurs develop opportunities starting from the simple scratch of business ideas, evolving into a business model, and executing a business plan (Dornberger & Suvelza, 2012). Entrepreneurs’ understanding the identification of the new venture’s value leads these steps. Ardichvili et al. (2003) argued that the recognition of opportunities by entrepreneurs is part of the whole opportunity identification process, not an extra process. Assuming that entrepreneurs identify opportunities instead of just recognise them, it makes the solid basis to understand the process itself. Given these facts, authors have agreed that the core of the opportunity identification process is made up of the following stages: *being alert* (which has been studied under the concept of entrepreneurial alertness), *search for information and evaluation*, and *construction of the opportunity* (Mary George et al., 2016). These three main stages are conducted by entrepreneurs in order to develop*/*exploit an opportunity(Oyson & Whittaker, 2015).

*Entrepreneurial alertness*:This implies that there are persons who are more sensitive to the needs that a market can offer (Gaglio & Katz, 2001). Individuals sense the needs of the market and propose new ways to satisfy those needs by creating value (Mary George et al. 2016). Alertness is conceptualised as a mediator between the personal features of an entrepreneur and the birth of a new venture (Sambasivan, Abdul, & Yusop, 2009). Entrepreneurs combine their expertise with the managerial abilities not only to identify but also develop an opportunity. Alertness as a major entrepreneurial characteristic interacts with other factors. Indeed the interplay among other factors, such as cognition, prior knowledge, social network, and the abilities of the entrepreneurs make it possible to clarify the opportunity and their scope (Webb, Ireland, Hitt, Kistruck, & Tihanyi, 2011). In identifying and exploiting an opportunity, the individual’s capabilities, as well as personal characteristics such as entrepreneurial alertness, make the difference between those alert and non-alert individuals.

*Search*: Once an individual observes and understands the opportunity and the chance that they possess to exploit it, they continue with the search of information. This is a search which allows entrepreneurs to use all their sources of knowledge. However, to limit the information that can be found, entrepreneurs establish criteria to narrow the search (Fiet, 2007). In this regard, it is crucial that individuals systematise their knowledge in a way that facilitates the identification of opportunities (Muzychenko & Liesch, 2015). Looking for opportunities entrepreneurs explore their surroundings to have a clear idea of what can match the needs – opportunity − that they observe. This is a very helpful process to create value and to configure the new venture characteristics. This also means that the systematic search of information should be accompanied by the evaluation of the information and opportunity itself. Systematic search gives the occasion for individuals to assess the scope of the opportunity and the capacity of their proposed venture to fit that opportunity.

*Evaluation:* This step is needed together with the systematic search. Evaluation is an important part of the core of the process of opportunity identification (Ardichvili et al. 2003). This evaluation can be applied in a formal, systematic, or an informal way. It implies how the identified opportunity has been located into the business concept, how the value offered through the business model is going to be assessed by the customer, and how the new product or the new processes are conceived. It is important to understand how the value created to exploit a business opportunity is going to generate the gains for the entrepreneur. All these entrepreneur’s creations have to be evaluated each moment. For this reason, it is important to have access to capabilities that can support such as evaluation. Equally important, it is the evaluation of resources that are needed to develop the opportunity. This is even more important when the target is the international market. The evaluation within the stages is significant in order to provide a quality scratch to continue developing the business idea. In order to recognise an opportunity and develop it into a business concept require the evaluation of the feasibility of that opportunity-focused business model. This business model serves as the guide for the exploitation of entrepreneurial opportunity in the subsequent phases (Chandra et al. 2015).

*Construction: S*cholars relate this stage with the recognition of an opportunity (Eckhardt & Shane, 2003). Ardichvili et al. (2003) pointed out that within this stage the entrepreneur first senses the needs that exist within a market or identify resources that have not yet been used. Secondly, the entrepreneur visualises the fit among market needs and resources deployed to satisfy those needs. Third, the entrepreneur converts that fit into a business concept. This stage is subdivided into smaller steps that an entrepreneur can develop through their own capabilities and the configurations of resources and business develop can be done in a systematic or non-formal way. This match among needs, resources, and the way that the entrepreneur plans to solve those market needs is called the fit, which is also associated with the discovery of a business opportunity (Shepherd, Williams, & Patzelt, 2014). We argue that entrepreneurs mentally construct their business ideas. Once this mental construction is elaborated they proceed to exploit the business opportunity identified.

*Exploitation*: After entrepreneurs develop the core of identification process, the development stage consists of the various processes that entrepreneurs can develop to materialise the business ideas. This can include − but not limited to − the development of new products, the new processes, the proposal of a new business model, and the creation a business (Short et al., 2009; Vaghely & Julien, 2010). This process requires the proactive, the risk-taking, and the innovative entrepreneur’s characteristics that entrepreneurs can exert through their entrepreneurial orientation (Anderson, Kreiser, Kuratko, Hornsby, & Eshima, 2015). In this sense, developing an identified opportunity require internal as well as external sources of resources. The exploitation − that we argue can be conceptualised in this stage − implies how the entrepreneurs are going to make profitable the identified opportunity and its development (Oyson & Whittaker, 2015) and how the business model created to fit market needs and resources is going to offer a value for customers. Value serves as an engine for the entrepreneurial spirit and it is the meeting point among customers and the entrepreneur’s business ideas.

These stages above mentioned are the core of the identification process. Entrepreneurs conduct these stages in order to be able to materialise the chance that they find among the imperfections of the markets. Conceptualising this process in this way, where entrepreneurial alertness is the starting point requires the analysis of the antecedents of the process. Opportunity identification has to be understood as a sequence of stages that are affected by a previous interaction of factors. It is not a linear process; it implies an association between the entrepreneur’s cognitive process and how these cognitive skills benefit from the accumulation of prior knowledge and the particular knowledge, which come from the context.

**Factors influencing Opportunity Identification Process**

Drawing on the consistency of opportunity identification definition as a concept, authors investigated the basis of entrepreneurial action (Shepherd et al., 2014; Shepherd & DeTienne, 2005; Short et al., 2009; Vaghely & Julien, 2010). By doing so, researchers established some specific factors which exert impulse on the opportunity identification process. Within the research about opportunity identification authors have greatly contributed to the insights on these specific factors which are the regulatory environment, culture and norms, prior knowledge and contextual knowledge (Khanna, 2014; Mary George et al., 2016), market incentives and networks. These factors are elaborated below. However, there are two aspects to take into account. First, it is important to analyse how these factors influence the opportunity process and how it is possible to observe this influence. Second, some authors express that external enabler (Davidsson, 2015) or environmental conditions are part of this list of factors. By contrast, in this paper, we argue that the contextual knowledge plays a fundamental role to bring information that favours the alertness of individuals within a specific industry.

*Regulatory environment:* Ma, Ding, and Yuan (2016) contend that the political capital − i.e., favourable conditions created by the host country government − influences the decision of the entrepreneurs in their quest to operate in a market context. Griffiths, Gundry, and Kickul (2013) complement that government mechanisms regulate individual actions. Vliamos and Tzeremes (2012) show that the institutional environment has an influential impact on the entrepreneurial opportunity identification process. Institutions are the rules of the game (North, 1990), therefore to succeed the entrepreneur’s actions should be aligned to the regulatory environment in which it is located.

*Culture and norms:* Culture plays a strong influencing role in the entrepreneurial process (Shane, 1993; Shapero & Sokol, 1982; Thornton, Ribeiro-Soriano, & Urbano, 2011). Culture differentiates one society from the other by virtue of a sustained practice or pattern or value adopted to suit the society’s environment (Hofstede, 1980; Thornton et al., 2011). Nevertheless, culture is dynamic and forms the mind of the entrepreneur; therefore, its influential impact cannot be overemphasised. Hayton, George, and Zahra (2002) hypothesise a link between national culture − i.e., the aggregate adopted pattern or practice of sense making − and entrepreneurial characteristics.

*Prior knowledge:* This factor has been widely studied in the research field of opportunity identification. Authors highlight that some people can identify business opportunities due to their previous accumulated knowledge and information (Shane & Venkataraman, 2000). The logic is that an individual is able to access information through their social network. Those individuals that neither possess knowledge nor have access will find it hard to identify opportunities. In this regard (Shane & Venkataraman, 2000) divided this factor into the prior knowledge of markets, ways to serve the market, and customer problems. Our assumption is that to accumulate knowledge and access it, social capital is needed. Social capital is the cornerstone to identify opportunities. Furthermore, entrepreneurs apply their prior knowledge to sense and seize the opportunity, create the correct combination of resources and capabilities to develop the fit that matches that opportunity in markets.

*Contextual Knowledge:* Entrepreneurs possess the ability to understand knowledge, and later apply that knowledge into a different context from the one the knowledge was developed (Khanna, 2015). These characteristics are mixed with entrepreneurs’ social economic status within their own society, education level, and exposition to international experience (Ardichvili et al., 2003). In our perspective, entrepreneurs’ ability to understand all the information collected from various sources, the sense to use that information for a particular task, and the ability to convert that information into knowledge to exploit an entrepreneurial opportunity highly depend on entrepreneurs’ stock of contextual intelligence and its application (Khanna, 2015).

*Incentives in the market:* Keeping consistency with Schumpertian tradition (1934), Casson (1982) explains that entrepreneurial opportunity exists in the condition of the market where new product, service, raw material, and organising method can be introduced and sold at a greater cost than their cost of production. Shane and Venkataraman (2000) note that technological, political, social, regulatory and other changes constitute the conditions where entrepreneurs find the opportunity for enhancing their wealth by deploying the resources accessible to them in a newer way. Kirzner (1973) points out that entrepreneurial opportunity lies in the temporal and spatial inefficiencies in a given market setting. Shane and Venkataraman (2000) notes that entrepreneur will be convinced with a notion of opportunity when he believes that expected value of entrepreneurial profit is large enough in comparison to the opportunity cost of any other alternative (Kirzner, 1973; Schumpeter, 1934). Incentives for the entrepreneur may not necessarily be economic but can also be in the non-economic form (Benz, 2006; Vivarelli, 1991, 2004). Both the forms of incentives stem from the market and assessed by the entrepreneur through a subjective assessment of the opportunity cost relating to the choice of the entrepreneur.

*Network:* The idea of social capital is a metal-level concept. By applying social capital the entrepreneur connects a number of people in various locations and with different technical backgrounds (Bernardez & Kaufman, 2013; Camps & Marques, 2014). This happens because of the social networks that individuals develop and in which they find opportunities (Borgatti, Everett, & Johnson, 2013). For the sake of harmony among the factors above mentioned, in our concept model we use the approach of the network. Networks open doors for entrepreneurs to obtain financial resources in the leveraging of their business ideas (Adler & Kwon, 2002). This last part is quite important in the construction stage of the entrepreneurial identification process. How entrepreneurs develop ties and which type of ties is one of the main insights from the network analysis to the opportunity identification process. In this sense, the structural, the cognitive, and the relational dimensions of social capital are sources of information, knowledge, capabilities, and resources for those entrepreneurs who able to identify opportunities (Partanen, Möller, Westerlund, Rajala, & Rajala, 2008). How effectively entrepreneurs use their social capital is a fundamental issue in order to identify the market that they want to target. In this sense, social capital demonstrates the possibilities of the internationalisation of new ventures (Rodrigues & Child, 2012) as well as the consolidation of products of services for international markets (Pinho, 2011). For this reason, as networks are the tangible results of social capital, networks have a strong impact on developing business for domestic and international markets thanks to the embeddedness characteristic of this factor. Entrepreneurs who apply bonding strategy can easily identify opportunities within communities and develop projects to solve those needs. This has been a fundamental case for the social entrepreneurship initiatives (Tregear & Cooper, 2016) and social enterprises (Ridley-Duff & Bull, 2015). However, thinking in such as initiatives on a global scale requires that the entrepreneur has the international background or the ability to be connected internationally.

In our understanding, there is no a definitive agreement within the literature about how these factors operate to benefit the opportunity identification process. There exist a breaking point in the entrepreneurs’ mindset in order to offer a new benefit either to the domestic or to the international market. This breaking point is represented by the way that the above factors interact among them. Reviewing the literature, the prominent factor which starts supporting the entrepreneur ability to identify opportunities is entrepreneurial alertness. However, alertness receives the outcome of the interaction among the regulatory environment, culture and norms, prior knowledge and contextual intelligence, market incentives, and networks. Davidsson (2015) postulates the need to understand the context around the entrepreneur in order to see how entrepreneurs are able to develop a business opportunity. Our conceptual discussion contributes to this gap in the literature by elaborating a comprehensive understanding of the opportunity identification from the entrepreneurs’ perspective. Particularly, this comprehensive conceptual framework is showed in Figure 1.

**Figure 1. Conceptualization of Entrepreneurial Opportunity Identification Process**

Information and Idea Search and Evaluation

Regulatory Environmentnt

Culture and Norms

Prior and Contextual Knowledge

Incentives in the Market

Networks

Entrepreneurial

Alertness

Opportunity Construction

Exploitation of Constructed Opportunity

**Defining the domestic and international context**

The business venture may target the domestic or international contexts. Context is defined in terms of the amount and types of resources, actors competing for resources, the activities, aims and requirement of firms and institutions (Håkansson & Snehota, 1997; Keating & McLoughlin, 2010; Schoonhoven, Eisenhardt, & Lyman, 1990). For a consistent thought, context is a composition of major factors such as the regulatory environment, culture and norms, prior knowledge, economic composure and networks. In other words, the entrepreneurial process is influenced by the institutional, social and economic contexts (Hayton et al., 2002; Leff, 1979). Seen in this way, the entrepreneurial process is embedded in a context which spans in both domestic and international contexts. By domestic context, we mean the geographic location of the entrepreneur where they have accustomed themselves for long periods and has actively (been) shaped that environment. By international context, we refer to the new geographic location the entrepreneur intends to penetrate with their entrepreneurial ideas. We, therefore, argue that the entrepreneurial identification process is subject to similar and varying tendencies in both domestic and international contexts.

*The regulatory environment in the domestic and international context*

From a familiarity point of view, the entrepreneur in the domestic context is more equipped to adapt to bottlenecks and conflict. In other words, they are flexible in the domestic context than in the international context. This is explained by the fact that in the domestic context the entrepreneur is deeply embedded and as such understands the “dos and dont’s”. The entrepreneur not embedded in the international context has a thin cushion for uncertainty, bottleneck and conflict.

*Culture and norms in the domestic and international context*

The entrepreneur in the domestic context is spontaneous to making sense of the established practices, patterns or values. Additionally, she/he will demonstrate identical interpretations of accepted norms. In other words, another entrepreneur from the same domestic context can replicate similar interpretation and sense-making. On the other hand, the entrepreneur will culturally switch to fit in an international context. That is to say, that she/he will invest motivated efforts in interpretation and adaptation to understand the international context.

*Prior and contextual knowledge in the domestic and international context*

Entrepreneurs capture and develop knowledge through various sources and activities during their professional life. In the case of the domestic context, the formal education process is relevant in terms of technical knowledge. Specifically, entrepreneurs develop the abilities to process, classify, and codify information that they turn into knowledge. In the case of a domestic market, entrepreneur possesses a natural amount of contextual knowledge through her/his strong embeddedness to the domestic context. The difference in entrepreneurs’ ability for searching and identifying the opportunity in the domestic market is strongly explained by their accesses and ties to different formal and informal institutions and networks. By contrast, the international context demands a high level of awareness and recognition of opportunities for entrepreneurs. Entrepreneurs need to combine various sources of information as well as knowledge. In this regard, investments on involvement in international contexts such as cultural exchanges, study abroad, language skills, and work experience are crucial to exploit opportunities. Therefore, an international context represents a challenging as well as a valuable context where entrepreneurs constantly have to improve their abilities.

*Incentives in the domestic and international context*

In the domestic context, the entrepreneur has a high predictability relating to interpretation and changes in the parameters. Knowing tendencies and current patterns in domestic markets, entrepreneurs are able to anticipate opportunities. This is reflected in the case of offering innovative products. Entrepreneurs idealise the new products ideas calculating costs and gains. Likewise, policies or even though social-economic changes conditions can play a role in the identification of opportunities. In the context of International markets, the entrepreneur has lower predictability and tolerance due to uncertainty relating to such parameters. Global economic crisis, new regulations, regional conflicts, or changes of governments reduce the entrepreneurs’ abilities to predict, act and operate in international markets.

*Networks in the domestic and international market*

The concept of networks here connotes both social and business networks. While entrepreneurs encapsulate their relationships with other individuals through using social networks (Guercini & Ranfagni, 2016), they use the business network to develop relationships with other firms (Guercini & Ranfagni, 2016; Håkansson, Ford, & Gadde, 2009). The entrepreneur belongs to both networks at any point in time, because he is a social being and at the same time business-oriented. In the domestic context, the entrepreneur is relied more on both social and business networks, because the entrepreneur is embedded in these networks at close range. In the international context, the entrepreneur relies more on business networks than social networks. This is argued from the perspective that the boundaries of business networks are not clearly defined (Snehota, 2004). Indeed, there are differences in domestic and international markets, but Forsgren (2016) argues that the difference should be seen from the firm’s business context and not the country border *per se*. Therefore, the entrepreneur will draw on business networks as a buffer to mitigate uncertainties in the international market. Table 1 shows the elements of domestic and international contexts.

**Table 1. Juxtaposing the domestic and international context**

|  |  |  |
| --- | --- | --- |
| **Factors** | **Domestic context** | **International context** |
| Regulatory environment | The entrepreneur is more equipped to adapt to bottlenecks and conflict | The entrepreneur has a thin cushion for uncertainty, bottleneck and conflict |
| Culture and norms | More spontaneous and identical in the interpretations of meanings and conflicts. Trust is norm-based. | Invest motivated efforts in interpretation and adaptation. Trust is highly institution-based. |
| Prior and contextual knowledge | Significant part of such knowledge base builds up through institutional and social embeddedness | Entrepreneurs actively and persistently invest in the searching of information to achieve international markets |
| Incentives in the Market | Higher predictability relating to interpretations and changes in the parameters | Lower predictability and lower tolerance relating to uncertainty in the parameters |
| Networks | The entrepreneur relies on both social and business networks | The entrepreneur relies on business networks to mitigate uncertainties |

*Source: own study*

**Factors influencing the entrepreneurial process in the domestic and international context**

Regardless of the context, a favourable regulatory environment, which fosters the entrepreneurial process, will generate a high degree of entrepreneurial alertness. The entrepreneurial process leading to opportunity exploitation should be approached from a perspective in which a favourable regulatory framework allows them for scouting. The entrepreneurial alertness is expected to be lower in the domestic context because the domestic context may be saturated and the scouting sharpness will be diminishing with time. The degree of alertness to international opportunities will be high, in that the entrepreneur is constantly scouting for international opportunities which are not available in the domestic context but in consonance with the host country regulatory environment. Moreover, the culture and norms will affect the sharp alertness in the domestic context than the international context. Social capital in networks has the tendency to weaken the alertness of the entrepreneur in the domestic context because there is a greater likelihood that the network may not produce newness as far as bonding social capital is concerned. In the international context, the entrepreneur will be highly alert, because he is not deeply embedded, therefore he will capable of employing bridging and linking social capital, which will make him alert in his quest for an opportunity. The similar scenario can be argued for economic composure and the entrepreneurial process. In the nutshell, when the entrepreneur is familiar with the domestic context, her/his alertness will be low as compared to his alertness in the international context.

Opportunities can be searched through systematic and non-systematic means (Ardichvili et al., 2003; Timmons, Muzyka, Stevenson, & Bygrave, 1987). In our understanding, a systematic search reflects a high level of careful planning with resources while a non-systematic search reflects a loose approach to planning. In the domestic context with a favourable regulatory environment, the entrepreneur employs both systematic and non-systematic means of opportunity search, while only a systematic search will be applied in the international context. This relates to the fact that the entrepreneur will carefully align his opportunity search to the regulatory environment in which he is not deeply embedded. As a product of culture and norms, the entrepreneur will employ a non-systematic means of opportunity search. However, as far as culture and norms are concerned, the liability of foreignness and outsidership (Forsgren, 2016; Johanson & Vahlne, 2009) in the international context will make the entrepreneur employ a systematic means of opportunity searching. Furthermore, the economic composure in the domestic context will attract both a systematic and non-systematic opportunity search. Generally, we argue that extent of embeddedness acts strongly on the channel through which opportunity is searched.

We argue further that, the speed at which the entrepreneur mentally constructs an opportunity is higher in the domestic context than in the international context, given a favourable regulatory environment. Cognitive processes are created in consonance with the environment the entrepreneur identifies with. The entrepreneur scans and picks appropriate information needed from the immediate environment and processes them to produce a mental frame of the opportunity. Due to the fact he is closer to the domestic context than in the international context, mentally constructing the opportunity is much clearer. Both culture and norms, as well as the economic composure, shape the cognitive process of the entrepreneur in the domestic context because he picks information from the economic environment and mentally constructs the opportunity for exploitation. On the other hand, the entrepreneur seeking to internationalise possesses limited knowledge of culture and norms, and the economic composure of the foreign context. Therefore, her/his mental construction of the image of the international opportunities is limited. Table 2 presents the influential factors to the entrepreneurial process according to the market context.

**Table 2. Factors influencing the entrepreneurial process in the domestic and international context**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Factors** | **Domestic Context** | | | **International Context** | | |
|  | Alertness | Search | Construction | Alertness | Search | Construction |
| Regulatory environment | Low | Medium | High | High | High | Low |
| Culture and norms | Low | Low | High | High | High | Low |
| Prior and contextual knowledge | Low | Medium | Low | High | Medium | High |
| Incentives in the Market | Low | Medium | High | High | High | Low |
| Networks | Low | Low | High | High | High | High |

Source: Own elaboration

The difference of the entrepreneurial opportunity identification process in the domestic and international contexts *vis à vis* influential factors is rationalised as low, medium and high, reflecting the extent to which varying degrees can be manifested when the domestic and international contexts are juxtaposed. They reflect how varying factors applied distinguish or maintain the entrepreneurial opportunity identification process in different contexts.

**CONCLUSIONS**

Studying the IE theoretical framework, we establish the main differences between the opportunity identification processes according to domestic or international markets. However, some grey areas of the opportunity identification process need further research. For example, it is important to examine, the impact of culture and institutions in the configuration of the entrepreneur's cognition processes. Particularly, how culture and institutions can be enablers or constraints for knowledge management by entrepreneurs who are building new ventures. It is necessary to investigate the role of social networks. Specifically, how social networks facilitate the mobilisation of resources by entrepreneurs in international markets. As relevant future research theme, it is important to understand which approach entrepreneurs follow in order to exploit an opportunity. From the practical point of view, it is relevant for entrepreneurs to identify the resources, which are involved in the entrepreneurial action in order to exploit an opportunity in the international context. Then, capabilities and resources perspective can be an additional research trend in entrepreneurial opportunity identification.

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1. Hereafter, in our discussion we are going to interchangeably the term opportunity and entrepreneurial opportunity. [↑](#footnote-ref-1)