International Entrepreneurship – A Capabilities Perspective on Opportunity Identification and Exploitation

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Abstract

This study aims to explore what capabilities that are involved in the formation and early performance of firms that internationalize in an early stage of their development. More specifically, the antecedents of identification and exploitation of business opportunities are explored and linked to specific capabilities. For this purpose, an exploratory-inductive case study is employed to allow for new capabilities to be identified. The analyzed data largely confirms the insights already reached in academic research, in particular the centrality of networking capability in the process of entrepreneurship. As for international business opportunities, the study highlights the importance of creating opportunities to meet with prospective international customers and suggests the importance of absorbing knowledge about these markets so as to reduce cultural distance. The main virtue of this study though, is that it provides a practice-oriented perspective on the process of international entrepreneurship.

Keywords: international new ventures, entrepreneurship, capabilities, internationalization, small and medium-sized enterprises
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Introduction

An international new venture (INV) is defined as a "business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt & McDougall, 1994). It is then a venture which exploits international opportunities *from its inception*, the international outreach does not necessarily entail ownership abroad, but may involve some form of collaboration with partners abroad (Oviatt & McDougall, 1994). These firms are typically small (Oviatt & McDougall, 1994), revolve around the activities of the founding entrepreneurs (Madsen & Servais, 1997), and they carry out operations in a diverse set of industries (Oviatt & McDougall, 1994).

A conspicuous characteristic of these firms is their reliance on relationships with actors in their environments. According to Oviatt and McDougall (1994) and Madsen and Servais (1997), these ventures often rely on some form of hybrid collaboration, meaning that they involve some form of strategic partnership that allows for the use of resources in other countries (Oviatt & McDougall, 1994). These dynamics of forming relationships may be related to the resource constraints of these small firms, which in effect means that they are relatively more dependent on acquiring external resources by means of such collaboration (Oviatt & McDougall, 1994; Madsen & Servais, 1997).

While the research on INVs seems to have gained momentum in the 90s, the scope and characteristics of their dynamics resonate strongly with the perspective of business network theory as outlined by Johanson and Mattson (1988). The network view depicts markets as "networks of relationships between firms" (Johanson & Mattson, 1988, p. 294). Consequently, a firm is embedded in a web of business relationships and when a firm enters international markets, it does not mainly enter a country; it is rather a question of entering a network. As relationships and networks hold much importance to INVs as a means of acquiring resources, as suggested above, the research connected to the business network approach to internationalization should provide useful input and a rich framework for INV research. Madsen and Servais (1997, p. 573) accordingly state this point clearly, asserting that “a network approach to internationalization processes offers a valuable approach when analysing such firms”.

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*Business opportunities are like buses, there’s always another one coming.*

– Richard Branson
The scope of this study

In a recent review of the field, Dana (2017) outlined a range of research questions which have not been addressed in the field so far, one of which asks what resources are the most important in the process of international entrepreneurship, and an approach to answering this question could be to examine the central challenges in the process of international entrepreneurship. In that vein, from the point of view of Ellis (2011, p. 99), international entrepreneurship is “fundamentally captured in the identification and exploitation of opportunities for international exchange”. He conceptualized the formation of exchanges that are part of the creation of INVs as “an entrepreneurial process involving the identification and exploitation of international opportunities” (2011, p. 121).

More specifically, Ellis (2011) investigated how opportunity identification and opportunity exploitation are related to social ties, arguing that business networks, and even more so social networks, are an essential part of these dynamics (Ellis, 2011). Furthermore, Mort and Weerawardena (2006) investigated the role of networking capabilities in the internationalization of INVs and related them, like Ellis, to opportunity identification and exploitation. These studies both hold virtues in investigating central challenges to the formation of INVs while relating them to the firm’s internal resources and capabilities. However, the emphasis in their studies is specifically on networking-related capabilities: Ellis (2011) related them to opportunities and constraints whereas Mort and Weerawardena (2006) investigated more generally how networking capabilities influence internationalization.

While central challenges in the process seem to have been identified, knowledge as to what particular “resources, capabilities, orientations and strategies” enhance the performance of these firms is largely unaccounted for in the literature (Cavusgil & Knight 2015; Dana, 2017). Cavusgil and Knight (2015) identified a set of capabilities that are important in this context and asked what other organizational capabilities may be important to the performance of these firms. It seems then as if knowledge as to what capabilities that are involved in the process is still to be unveiled. In seeking to combine the calls for unveiling important resources and capabilities and drawing on the perspectives used by Ellis (2011) and Mort and Weerawardena (2006), this study takes as its focus to pinpoint and define capabilities that are important in the formation and performance of INVs. It addresses in part the question put forward by Dana (2017), but it takes a different and narrower perspective by centering on capabilities, as requested by Cavusgil and Knight (2015). Compared to Ellis (2011) and Mort and Weerawardena (2006), it assumes a broader stance by seeking to more generally gain an understanding of what capabilities facilitate the process.

This study then aspires to elicit what capabilities enable the formation and early performance of INVs, it seeks to shed light on the capacities that facilitate the steps involved in the process, a process which is conceptualized as composed of opportunity identification and opportunity exploitation (Ellis, 2011). More specifically, I seek to gain an understanding of how capabilities relate to opportunity identification and exploitation respectively, how capabilities relate to one another, and at best which order and combinations of capabilities that are of essence in the
As this area is relatively unexplored, the investigation will be exploratory and such an investigation is best carried out by means of an inductive case study-approach (Saunders et al., 2012). The aim is then to investigate the formation of these firms and to make an attempt to link the identification and exploitation of international opportunities to specific and defined capabilities; the overarching research question is then crystallized: *What capabilities allow INVs to identify and exploit business opportunities?* This research question can moreover be disentangled so as to form two separate research questions: 1) What capabilities allow INVs to identify business opportunities, and 2) what capabilities allow INVs to exploit their business opportunities?

Answering these questions, or even just a small part of them, would be of significance to firms that seek to pursue opportunities across borders, with the potential to imply opportunities for strengthened volition by means of a broader range of options to pursue, opportunities for collaboration, opportunities for inter-cultural exchange, and a range of possibilities that are specific to the opportunity at hand. This study will then be of use to INVs, entrepreneurial teams, entrepreneurial individuals, and business incubators, perhaps through the means of entrepreneurship education. The subsequent part of this thesis outlines a theoretical framework which will provide some basic concepts and general frames for the inductive-exploratory investigation. It is hence meant to be general, applicable to all firms, in the hopes that it will not influence the analysis of the case studies and the capabilities that will hopefully emerge from them.

**Theoretical framework**

**Opportunity identification**

The invention of public key encryption had significantly advanced the career of its creator, Whitfield Diffy, and he had done very well financially, still, “it did not occur to him to start a company to commercialize his invention. In fact, he expressed astonishment at the ‘hundreds and hundreds of people trying to turn a buck on it’” (Sarasvathy et al., 2003, p. 77). The ultimate focus of this study is the ability to exploit opportunities, and an exploited opportunity must reasonably have been recognized or identified, in order for it to have been purposefully pursued, and exploited. The opportunity identification is thus an inextricable precursor to the ability to exploit an opportunity. An opportunity, however, must not necessarily be exploited by the same person as the one who initially conceived it (Oviatt & McDougall, 2005).

As Whitfield’s statement above illustrates, opportunities for collaborative exchanges between firms and individuals exist in the physical worlds that surround us, but they may need to be uncovered, discovered, recognized, developed and utilized. Such an opportunity, from the perspective of an entrepreneur, can be described “as a set of ideas, beliefs and actions that
enable the creation of future goods and services” (Sarasvathy et al., 2003, p. 79). On a general level, there are two major elements of such an opportunity: supply and demand (Sarasvathy et al., 2003). If neither one of these elements exists in the market initially, supply and demand could be created; if one of these elements exists then the other one needs to be created; and in the event that both elements exist, then they need simply be recognized and brought together (Sarasvathy et al., 2003). In essence, these authors envision the creation of supply and demand, the creation of supply or demand, or just the bringing together of the elements. Moreover, after delineating the scope of an opportunity, in the context of international entrepreneurship, the concept of an international opportunity may indicate the “chance to conduct exchange with new partners in new foreign markets” (Ellis, 2011).

The perspective of an opportunity through the eyes of an entrepreneur may be contrasted by the motives for internationalization in international business research, which centers on the perspective of a domestic actor which exploits international markets. In one such stream of thought, the motives may be resource-seeking, knowledge-seeking, or market-seeking (Dunning, 2000; Dunning & Narula, 1996). Thus in that vein, it may be useful to think of the potential for international partnerships in terms of the activities related to a value chain: In the early stages, there is a need for resources, knowledge and specific capabilities as means for producing a specific product or service, and in the latter parts of the chain, there is a scope for marketing, distribution and selling. In that sense, and converging with the perspective of Sarasvathy et al. (2003), an international partner could be, in the extremes, either a supplier, a partner in the creation and refinement of a product, or the acquirer of the focal firm’s product.

**Opportunity exploitation**

An identified opportunity, however, “cannot become a viable business” without opportunity exploitation (Ardichvili et al., 2003, p. 106). While further exploration may provide more fine-grained knowledge of opportunities and their characteristics, exploitation of the opportunity is essential to reap its benefits (March, 1991).

According to Ardichvili et al. (2003), an opportunity may at the outset be more or less developed. In their view, there is the value sought, namely the value which attends to the needs and preferences of prospective customers, and then there is the value creation capability which refers to the requisite specific abilities of a supplier (Ardichvili et al., 2003). They suggest that both of these may initially be underdeveloped and that an opportunity will tend to arise from one of these sources (Ardichvili et al., 2003). Consequently, the less defined and developed the value sought and the value creation capability, the more development is needed so as to be able to exploit the opportunity.

Interestingly, in a similar vein, Foss et al. (2013) note that the realization of a strategic opportunity is embodied by the entrepreneurs overcoming problems and acquiring related capabilities, which will then them let them exploit the opportunity (Foss et al., 2013).
Accordingly, Foss et al. (2013, p. 1456) state that “opportunity exploitation depends on the extent to which firms can identify such problems and solve them”.

In light of these viewpoints, one could think of the process of opportunity exploitation as a process of capability acquisition. A small venture will possess a set of distinct resources and capabilities (Helfat & Peteraf, 2003) which may resonate to some extent with the capabilities needed in the exploitation of a specific opportunity. As suggested by Foss et al. (2013), the firm will then have to acquire some specific capabilities so as to exploit the opportunity. As suggested by the idea of experiential learning, a firm does not know in advance exactly what capabilities it will have to possess; those are unveiled during the process of the opportunity exploitation (Johanson & Vahlne, 2009). This would then suggest that opportunity exploitation depends on the firm’s ability to develop opportunities by means of acquiring a range of abilities.

**An interactive and recursive process**

So far, identification and exploitation of opportunities have been depicted as a sequential two-stage process, starting with the identification of an opportunity followed by the exploitation of that same opportunity; this may however be a much too simple notion of the phenomenon.

In the view of Johanson and Vahlne (2009), the vehicle for the uncovering and exploitation of opportunities are relationships. By means of these relationships, the firm makes commitments so as to exploit initially perceived opportunities. As a corollary, the relationship commitment activity brings about new knowledge and learning about the opportunities, knowledge of their scope and characteristics. This new knowledge, in turn, embodies the foundation of a new decision-horizon, in which the firm will again evaluate the given opportunities and may choose to make further commitments. Along these lines, commitment decisions bring about learning and learning bring about commitment decisions.

![Figure 1: The business network internationalization model of Johanson and Vahlne, 2009.](image-url)
This is thus a recursive process, which is carried along by the vehicle of the extant relationships: Opportunities are both developed and created within the frames of the existing relationships. In essence, in the view of Johanson and Vahlne (2009), this is an experiential learning process in which relationships are the prominent vehicle, a process which embodies the process of small firm internationalization.

“Once again our position is that opportunity development is an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity.” – Johanson and Vahlne, 2009

In relating this model to the formation and early life of an INV, the networking element of this model has been amply highlighted as a central part of the formation of an INV already in the introduction of this thesis, and the experiential learning element has in extant entrepreneurship research also been recognized as a central element (Corbett, 2005; Politis, 2005). In essence, this research would suggest that there is an initial opportunity at the outset which drives the emergence of an INV, and opportunities then typically emerge throughout the course of the firm’s founding and during its early existence, some of which are also exploited. Knowing what the process looks like, that it might often look like this, could be important in order to gain an understanding of the capabilities involved in the opportunity identification and opportunity exploitation respectively.

Organizational capabilities
Resources are of great value, but the real scope of resources, one could argue, is what capabilities they endow the firm with. An organizational capability may be defined as “the ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result” (Helfat & Peteraf, 2003, p. 999). As such, a capability puts the possible outcomes or end results at center stage, and these capabilities are hinged on the existence of knowledge (Knight & Cavusgil, 2004), other resources, and subsets of tasks and routines (Helfat & Peteraf, 2003) which the firm is able to carry out. Then, a specific capability in tandem with other capabilities may also be thought of as a subset of another more comprehensive capability; even a firm’s strategy may be conceived of as a set of core capabilities (Wang & Ahmed, 2007).

In the case of groups and teams of individuals who conjointly comprise a firm, of particular interest to this study, these groups are endowed with specific capabilities from their inception (Helfat & Peteraf, 2003), which also applies to INVs (Cavusgil & Knight, 2015). Each individual in a group possesses resources such as human capital, social capital and cognition, and if the team has worked together before, it may also be endowed with team-specific human capital (Helfat & Peteraf, 2003). The integration of the knowledge possessed by the specific members may even be considered the essence of organizational capabilities (Knight & Cavusgil, 2004).
The capabilities of a small firm such as an INV, then, are a function of the elements of the entire firm, in particular the resources held by its members. These capabilities which the firm possesses will shape its performance in the course of its founding and early stages (Knight & Cavusgil, 2004).

**Opportunity identification and exploitation in the INV**

To synthesize this general framework of the formation of INVs, these streams of thought in the academic literature would suggest that a firm has a pre-existent set of knowledge and capabilities at the outset. Knowledge and capabilities which will shape the initial opportunities that are available and identified. The firm then needs specific capabilities in order to exploit the opportunity, which it may seek to acquire or develop. Throughout the course of this process, opportunities emerge as a result of experiences and developed capabilities, some of which are also exploited. The exploitation of them, and the acquired experiences and capabilities bring about a new set of opportunities. In essence, pre-existent and acquired capabilities will shape the exploitation and identification of opportunities.

*Figure 2: A general framework to guide the inductive study.*
Method

An exploratory case study
Reconnecting with the hopes for this study, this study aspires to elicit what capabilities enable the formation of INVs and their early performance and internationalization. Given that a range of aspects of how capabilities relate to this process are still to be unveiled, and given the scope of uncovering capabilities, an inductive and exploratory multiple-case study will be a useful means for addressing the topic (Eisenhardt & Graebner, 2007). Accordingly, this study will revolve around a case study and interview data from the founders of these firms.

It is important to recognize that elaborate research design choices comprise an anticipatory data reduction and provides a specific framing (Miles & Huberman, 1994, p. 16). In a similar vein, Gioia et al. (2013, p. 16) differentiates between construct elaboration and concept development and underscores that the use of existing theory and terminology imposes an understanding on interviewees. In line with this reasoning and given that this study seeks to be able to uncover capabilities, what Gioia et al. (2013) would refer to as an element of concept development, the research design will include only a few basic concepts.

In this non-directed vein, the presented theory is meant to provide only a general framework which is to accommodate the uncovered capabilities in a non-restrictive way, although this may not be entirely possible (Miles & Huberman, 1994). Accordingly, the only concepts that will be integrated into the interviews are opportunity identification and opportunity exploitation, the idea is thus that the interviewees will be able to speak freely of and provide a rich description of the events which led to the identification and the development of opportunities respectively, and that the author will seek to infer and find patterns indicating the importance of specific capabilities.

Research setting and case selection
The earliest phase of the firm’s existence is the focus of the INV concept, as suggested by the definition of an INV: “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994). In a somewhat more lenient approach and drawing on Coviello (2006), this study centers on firms which had considerable international sales within three years of inception.

The concept of an opportunity refers to a business opportunity, as implied by Sarasvathy et al. (2003) and their definition of an opportunity as “a set of ideas, beliefs and actions that enable the creation of future goods and services”. Opportunity recognition then refers to the recognition of the existence of such an opportunity, whereas opportunity exploitation centers on the realization of the opportunity.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Respondent</th>
<th>Industry</th>
<th>Product/Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>CEO</td>
<td>IT</td>
<td>Software as a service</td>
</tr>
<tr>
<td>B</td>
<td>Chairman/former CEO</td>
<td>Education</td>
<td>Service</td>
</tr>
<tr>
<td>C</td>
<td>CEO</td>
<td>Technology</td>
<td>Product</td>
</tr>
<tr>
<td>D</td>
<td>CEO</td>
<td>Law-related</td>
<td>Software as a service</td>
</tr>
<tr>
<td>E</td>
<td>Global brand manager</td>
<td>Business-to-business sales</td>
<td>Service</td>
</tr>
<tr>
<td>F</td>
<td>COO</td>
<td>Small business administration</td>
<td>Software as a service</td>
</tr>
</tbody>
</table>

Table 1: Descriptive information about the firms in the study.

Moreover, four of the firms are based in Sweden and two of them in Finland. The firms were typically founded between upwards of three to seven years ago, while one of them was founded already in 2003.

**Interviews and interview structure**

Five of the interviews were computer-mediated and one was carried out over the telephone. The interviews typically lasted 35 minutes each. The structure of the interview was guided by the research question and the intention to allow for an *exploration of capabilities* that bring about opportunity identification and opportunity exploitation. The interviews are thus structured so as to 1) uncover the events and 2) provide a rich description of how the events came about. The rich description is then intended to support inference as to what specific capabilities have been essential to the firm’s performance (see interview template in the appendix). The only criterion for the interviewees was that he or she was one of the founders of the firm, and they were consistently, or had been, a part of the executive team of the firm. All of the respondents were provided assurance of complete anonymity.

**Data analysis**

Essentially, the analysis sought to identify themes, capabilities, in a within- and between-case comparison of the narratives of the entrepreneurs in the respective firms. These themes have been structured into dimensions and sub-components as is illustrated in figure 3. More specifically and guided by Gioia et al. (2013), the analysis process followed the following procedure:

The data is first coded applying informant-centric categories to the data (1st-order). Then the data is analyzed as the cases are compared searching for patterns thus condensing the number of categories into a smaller number. As a third step, the data is given categories and compared to researcher-centric categories from extant literature. Established concepts and categories are
then used when appropriate, while attention is paid to relationships and categories which deviate from extant research (2nd-order). Lastly, the categories and concepts from the 2nd-order analysis are, if possible, brought together forming 2nd-order aggregate dimensions.

![Diagram](image-url)

*Figure 3: An example of the data processing from and as suggested by Corley and Gioia, 2004.*

Thus, statements relating to the identification and exploitation of opportunities in the narratives of the respondents comprise the 1st-order concepts. These statements are compared in pursuit of patterns of capabilities that are involved in identification and exploitation of opportunities. This will produce a smaller number of capabilities, the 2nd-order themes. Lastly, if these found capabilities can be clustered in any meaningful way, the capabilities of that cluster will constitute an aggregate dimension as illustrated above (figure 3).

For the sake and in the name of clarity, see table 2 on page 13 for the seven capabilities that were eventually identified in the investigation: relationship capability, needs capability, extension capability, proactiveness capability, opportunity alertness, IT capability and risk capability, the most frequently appearing in the data being the first three of them. These capabilities have been extracted from the data by, as described above, comparing 1st-order statements as to the identification and exploitation of opportunities, trying to pinpoint patterns of behavior that have been involved in the entrepreneurs’ identification and exploitation of opportunities. Moreover, three of these 2nd-order themes, or capabilities, were eventually during the course of the analysis conceptualized as a common aggregate dimension. That is, relationship capability, needs capability, and extension capability were conceptualized as part of a common *networking capability*, as seen in figure 4 on page 14 (compare with figure 3 above).
As for the process of defining capabilities, these were based on the narratives of the entrepreneurs, whereas direct statements as to specific skills or abilities were acknowledged if these were also supported by the series of events unfolded in the narration. The criterion for the final decision of defining a specific capability was that the entrepreneurs’ narratives should support the idea that the specific capability had been an important causal part of opportunity identification or exploitation respectively; a small disclaimer is appropriate though: As the identification of capabilities in the cases depends on a narrative, it has not been possible to reach the same degree of certainty as to the presence of specific capabilities as it would have been using some kind of direct measurement; the analysis has nonetheless been carried out in a systematic and diligent way.

After identifying and delineating the capabilities that were involved in the entrepreneurial process, they were displayed and analyzed by means of several matrices (see tables 3 to 7). The capabilities and the traits involved in the opportunities were then surveyed for patterns and logical relationships, in an effort to draw conclusions (Miles & Huberman, 1994). These analyses were then, in the discussion section, compared to the extant research in the area, to more clearly highlight differences, similarities and possible contributions from the current study.

Quality of data and analysis
There are several drawbacks and pitfalls related to this research design. First, although the statements given by managers is generally considered trustworthy (Saunders et al., 2012), it is not sure that what the interviewee perceive to be crucial is actually crucial in reality. It is also possible that the interviewee will seek to gain a favorable impression, thereby somewhat misleading the data and the analysis (Saunders et al., 2012). Secondly, the interview data may have been also biased as a result of the questions posed by the author during interview (Saunders et al., 2012). Moreover, the author will inevitably have to make interpretations of the data, which will be influenced by his pre-existing knowledge and viewpoints.

The process then clearly involves a great deal of uncertainty, and the conclusions should be very cautious and only tentative. That said, the analysis has been highly systematic, which would seem to make for a strong possibility of the analysis actually containing valid insights. Generally speaking, that is the viewpoint of several researchers in the social science domain (Miles & Huberman, 1994; Gioia et al., 2013).
Empirics

General patterns
It should first be interesting to present the most general patterns, the broad strokes that serve as the bedrock of the entire study. There are two such patterns in particular. First, the entrepreneurs in almost all cases very clearly conveyed how both opportunity identification and opportunity exploitation are part of a continuous recursive process of learning from experiences. The details of their venture are not known in the beginning, which would be the case if entrepreneurship was simply going from A to B in a linear fashion. Instead, initially, the entrepreneur may know only that there is value in a specific area of pursuit, but the specifics will in most cases be resolved during the course of the firm’s development.

“You must dare to jump into the deep water and learn to swim while in there … create an initial idea of what to do, implement it, analyze what happens, and then improve.”

Secondly, the relationship capability or networking capability was very strongly echoed by the entrepreneurs’ experiences. Over and over the same pattern of how relationships from earlier work experiences contributed to their venture in a wide range of ways repeated itself. These contacts provided a range of different resources and would often become employees, partners or customers in the entrepreneur’s firm. Typically, opportunities were unveiled or exploited within the frames of lasting relationships with specific individuals which the entrepreneurs had met in earlier work experiences, but it was also common for opportunity exploitation to depend on the entrepreneurs’ ability to form new lasting relationships with a range of actors.

“It is always like this, someone knows someone who knows someone else and then one thing leads to another.”

These elements, relationship capability and experience-based learning are the core elements of the business network internationalization model, and the statements made by the entrepreneurs consistently resonated strongly with this stream of reasoning.

Capabilities and data structure
As the general patterns have been outlined, the result of the inductive methodology will be presented, which involves the 2nd-order themes and any aggregate dimensions. The seven capabilities in table 2 were found in the investigation, they hence comprise the 2nd-order themes found during the course of the investigation. The first four were part of the identification of opportunities, and they were all involved in the exploitation of opportunities.
<table>
<thead>
<tr>
<th>Relationship capability</th>
<th>Ability to form lasting relationships.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needs capability</td>
<td>Ability to understand customers’ or partners’ needs and then act in line with that understanding.</td>
</tr>
<tr>
<td>Extension capability</td>
<td>Ability to make contact with prospective customers by means of traveling and attending fairs.</td>
</tr>
<tr>
<td>Proactivity capability</td>
<td>Ability to foresee future states/opportunities and make appropriate plans.</td>
</tr>
<tr>
<td>Opportunity alertness</td>
<td>Ability to act on opportunities fast due to opportunity awareness and readiness.</td>
</tr>
<tr>
<td>IT capability</td>
<td>Ability to employ considerable competencies in the area of information technology.</td>
</tr>
<tr>
<td>Risk capability</td>
<td>Ability to act on opportunities despite high risk or uncertainty.</td>
</tr>
</tbody>
</table>

Table 2: identified and conceptualized capabilities.

The relationship capability refers to the ability to form long-term relationships with other firms or individuals. The needs capability captures events in which the firm has been able to gain a strong understanding of the needs of customers or partners, and to act in line with that understanding so as to exploit it. Traveling and attending fairs have been a key part of the identification and exploitation of opportunities in some contexts, for that reason, it was conceptualized as a specific capability which was denominated extension capability. On some occasions, it proved vital that the firms were able to be proactive in order to identify or exploit an opportunity, hence the proactivity capability. Opportunity alertness conveys an event in which exploitation of an opportunity at times was greatly helped by the entrepreneur being ready to act fast when an opportunity materialized. Throughout the study, competencies in information technology came across as a highly important area in the exploitation of opportunities; the frequency and importance of these events (see table 4 and 5) spoke in favor of conceptualizing a specific ability, IT capability. Lastly, the exploitation of opportunities would sometimes be possible only if the entrepreneur was willing to assume and accept a great deal of risk and uncertainty, hence the risk capability.

As for the structure of the found data, only one aggregate dimension was found. From the 2nd-order themes above, needs capability, relationship capability and extension capability formed an aggregate dimension which has been denominated networking capability. These abilities are all related to the ability to form relationships, but not necessarily long-term relationships. The extension capability centers on the ability to reach prospective customers, the needs capability
centers on the ability to understand and serve prospective customers or partners, while the relationship capability captures an ability to form long-term relationships. It seems fitting to let the three capabilities be a part of a more general networking capability.

![Diagram](image)

*Figure 4: Aggregate dimension of networking capability.*

There were many other capabilities that were important, but which only appeared in a smaller number of cases. Moreover, there were also many factors and resources which could not be conceptualized as capabilities in a meaningful way.

Assuming a time-ordered perspective of these events and capabilities, given the narratives and the tables below (table 3 and 4), it seems as if two capabilities in particular stand out: IT capability and needs capability. The IT capability typically comes into play at a later stage as the founders of these firms are most typically not IT professionals, but these skills are brought in later to assist in the implementation of the opportunities. The needs capability is highly important in all stages of the firm’s existence, but when comparing the identification-table (table 3) to the exploitation-table (table 4), it seems as if needs capability is somewhat more involved in the identification of opportunities, which might imply that the needs capability is more important in an earlier stage.

Moreover, the interviews have amply exemplified how the activity that embodies the exploitation of one opportunity at the same time embodies the identification of another one, which will naturally create some overlap in terms of the capabilities that are involved in these concepts. Generally, it was often the case that the same capabilities were often involved in both opportunity identification and opportunity exploitation. Four capabilities were involved in both the identification and exploitation of opportunities: relationship capability, needs capability, extension capability and proactivity capability.
How these capabilities have been linked to identification of opportunities and exploitation respectively is described in detail below in the sections *identification of opportunities* and *exploitation of opportunities*. As suggested by Miles and Huberman (1994), the analysis will seek to draw conclusions by finding patterns or themes and connecting them to logical explanations.

**Identification of opportunities**

This section delves into the behaviors and abilities that were part of the identification of major opportunities with the respective INV, opportunities that have been important to the firms throughout their formation and early years. Four capabilities appeared somewhat frequently in the data: relationship capability, needs capability, extension capability and proactivity capability. In this table, the six firms are indicated by the letters A-F, and identified opportunities in the data have been assigned a number.

<table>
<thead>
<tr>
<th>OPPORT.</th>
<th>Relationship capability</th>
<th>Needs capability</th>
<th>Extension capability</th>
<th>Proactivity capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Y</td>
<td>Y</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>A2</td>
<td>Y</td>
<td>Y</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A3</td>
<td>-</td>
<td>-</td>
<td>Y</td>
<td>-</td>
</tr>
<tr>
<td>A4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B1</td>
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<td>F3</td>
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<td>Y</td>
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</tbody>
</table>

Y = Yes, supported by the narrative; - = Unknown, not supported by the narrative

*Table 3: Capabilities involved in the identification of major opportunities.*
Case A
In order to create an understanding of the opportunity recognition in these firms, the activities of the firms and in particular some of their major opportunities are now depicted more closely. The first case concerns the identification of opportunities in firm A, a firm that sells advanced IT-solutions, in the IT industry. The major initial business opportunity (A1) came about as the result of an active search for business ideas. The aspiring entrepreneur had long experience from working at a large IT firm in Sweden, which came with much knowledge of the market and its potential. The interview data elaborates on the planning process: The process was highly systematic in the listing of ideas, the evaluation of ideas and in the crystallization of important criteria. The process was thus extensive and diligently carried out, it was by all means not a fleeting idea that was quickly implemented. In short, the relationships he had made in his work life, the insights into the needs of market customers and a proactive disposition all seem to have been important facets of the identification of the initial business idea.

The second opportunity (A2) relates to the identification of a specific customer issue, within a certain segment of the market, and as it happened, the firm was able to provide a solution to their problem. The identification of this opportunity came about as a result of relationships with one specific customer firm with which the entrepreneur had worked for many years during his previous occupation. The identification of the opportunity thus relied on both longtime relationships as well as insight into customer needs.

As the entrepreneur, having formed a business, held a presentation abroad at a fair, a prospective customer approached the firm, one that eventually decided to solicit the services of the firm. This opportunity (A3) then seemed to have come about above all as a result of the entrepreneur’s willingness to reach out, to travel abroad to promote the firm’s product.

Case B
Firm B is a multinational firm in the education industry. The entrepreneur behind this firm had worked within the industry for many years, and decided to start his own business, drawing considerably on the experiences and the knowledge he had made in his previous work life. This major initial business opportunity (B1) depended largely on knowledge about the market’s demands and conditions as well as on relationships with individuals from this previous work life.

One of the initial major opportunities was that the firm had an opportunity to acquire a customer base abroad. The opportunity was uncovered by means of the founder traveling to a country in Asia, he made considerable efforts to promote the firm’s services and made important acquaintances within the country. As a part of this endeavor the entrepreneur among other things was necessitated to await and anticipate regulatory changes in the country’s legal system. It seems as if this was initially more of a somewhat fleeting idea, an idea that became an important opportunity due to the entrepreneur’s efforts. The relationships made within the
country, the pre-acquired knowledge of customers’ needs and proactivity were all highly important ingredients in the identification of this opportunity.

A major and important development of the business was the opportunity to acquire a small firm with highly related operations (B4). The entrepreneur was solicited by acquaintances in the industry to manage their firm, which led to him buying the firm instead. Relationships made at an earlier time then seemed to have played a major part in the uncovering of this opportunity.

Case C
This firm deviates from the other firms in the study in one sense. While the development of the other firms could be described as a process of gradually increasing recognition and exploitation, the development of this firm has been more straightforward. The founders of the firm were assigned a business idea and a product from external partners, as a part of their university education. The identification of this business idea, from the perspective of the founders, was hence not hinged on any of the identified capabilities. Moreover, the somewhat linear development of the firm meant that it was not possible to crystallize any major opportunities, aside from the major initial business opportunity (C1).

Case D
This firm is a software as a service firm, meaning that they employ a subscription business model, whereby customers can gain access to their service. The founder(s) came across the major initial business idea in their work life (D1). One of the founders had been discussing the idea with an acquaintance who was knowledgeable in certain technological IT-related fields and had also attended a lecture about how certain technology could be used in his line of work; and this lecturer eventually came to join the firm. These events led the entrepreneurs to realize the potential of their business idea and that is how they got started. Notably, two factors were at play: both knowledge as to the needs of the industry and how those needs could be fulfilled, and several important relationships that facilitated the transfer of technological know-how and ideas.

The development of the firm was significantly furthered by certain marketing innovations that increased the firm’s sales (D2). The idea came about as a result of someone in the sales department who had come up with the first part of the idea, and as the idea reached the firm’s decision-makers they almost immediately started realizing the idea. Still, the data indicates that this was an area which had received a lot of thought and planning, which seems to have been important for the founders’ ability to foresee the value of the idea. Proactivity then seems to have been an important aspect of the identification of this idea.

The third opportunity (D3) was comprised of a specific market which has proved valuable to the firm, a market which the firm came to discover by chance. One of the firm’s employees started contacting these firms by accident and the result happened to be a success, and the
opportunity in that market was thus recognized. Neither one of the capabilities found in this study’s investigation seems to have played a major part in the identification of this opportunity.

Case E
The major business idea (E1) was developed by the two founders, who knew each other after working for the same company at earlier times. In the entrepreneurial process they were part of, they had created a service that was similar to the one they eventually created, and during that time they had received requests for other similar services, which led them to create their present service and firm. It seems as if the collaboration between the two founding entrepreneurs as well as relationships with customers that provided them with knowledge of market needs were both important aspects.

The respondent highlighted that they had early on recognized the importance and the opportunity of building a strong team, the ones who will actually carry out the founder’s vision in practice, something which he believes has considerably benefited the firm and its operations (E2). One of the major antecedents of this opportunity recognition seems to be the ability to be proactive and foresee future development.

Another major ingredient the respondent highlighted was the importance of having IT skills in the founding team, which they had as an acquaintance joined them as a CTO (E3). One of the antecedents of this opportunity was that they knew this person since before, they had worked with him at an earlier time, a relationship capability thus seems to have been considerably involved.

Case F
This software as a service firm was started by two entrepreneurs. In their respective occupations as entrepreneurs they had both experienced certain issues, problems that they wanted to solve, not just for themselves, but also for others. That is how the idea was conceived (F1), and they subsequently developed their idea and hired IT consultants to realize the product. One could pinpoint two important aspects of this development. First, their collaboration and their relationship seem to have been an integral part of the process. Secondly, they had been able to find and gain an understanding of a need that was not attended to in the marketplace, and they understood how to fulfill this need by means of a product.

As the firm was attempting to find more customers, an opportunity that they came across was to collaborate with a group of firms that already had large numbers of pre-existing customers that could be offered the services of this firm (F2). They were solicited by one of the larger of these firms when they attended a large conference. This opportunity thus came about by means of their ability and willingness to reach out to prospective customers and promote their product.
The third opportunity (F3) revolves around a partnership agreement that turned out to be highly valuable to the firm. The major antecedent of this opportunity seemed to have been very extensive and active communication with prospective partner firms, which eventually led to this solution. The partnership related strongly to the benefits of customers, which showcased an understanding of the needs of their customers. It also seems as if a thorough understanding of partners’ needs has played an integral part in the identification of this opportunity.

As these cases illustrate, opportunity identification involved four capabilities in particular. The relationship capability refers to the entrepreneurs’ ability to form lasting relationships with individuals and firms, which would at a later time spur new opportunities. The needs capability draws attention to events where opportunities would emerge as a result of the entrepreneurs gaining knowledge of the needs of presumptive customers, understanding what their needs are and how to attend to those means by means of some product or service. The extension capability emphasizes the mobility and willingness to arrange opportunities for meeting with prospective customers, which would sometimes result in new opportunities being unveiled. Finally, the identification of opportunities would at many times also depend on the entrepreneurs’ ability to plan and be proactive in foreseeing future opportunities, which is referred to as proactivity capability.

A major observation when reading these cases is that opportunities would often emanate from the work lives of the founders. They came to utilize the experiences they had made in their work life, and they then decided to create something of their own it seems. This seems to have been the case in four or five of the cases. These work experiences often happened to entail insight into the specific markets as well as a range of relationships which would help to further the firm’s development.

A first observation when examining table 3 is that there seems to be a positive relationship between specific capabilities and specific firms, which is to be expected. There are also some signs of positive association between different capabilities when examining all of the opportunities. The most salient observation is that relationship capability is almost perfectly related to the needs capability, reflecting the fact that needs were often elicited by means of extant relationships. The extension capability was altogether unrelated to the other capabilities, when often opportunities would arise out of new relationships, rather out of existing ones. It is also interesting to examine the initial business opportunity which formed the foundation of the entire firm; in this table they are the first opportunity of each firm: A1, B1, etc. In five instances out of six, the initial business opportunity was to a considerable extent dependent on extant relationships and the needs capability.

**Exploitation of opportunities**

The following section explores what behaviors and capabilities that were part of the exploitation of specific opportunities. These are not necessarily the same as the opportunities in table 3 above, as the data would on occasion contain information on only the identification or
the exploitation of an opportunity. Moreover, in the display of capabilities related to exploitation, the initial business opportunities that were to form the foundations of the firms were separated from the other opportunities and moved to a separate table (see table 5). The reason for doing so is that the exploitation of the major initial business opportunities tended to include the exploitation of the major opportunities which arose at a later stage, sub-opportunities one could call them. This means that the initial business opportunity to some extent forms an aggregate of all the sub-opportunities. As I felt that the comparability would then be low, this solution seemed more appropriate.

The exploitation of opportunities involved seven capabilities: relationship capability, needs capability, extension capability, proactivity capability, opportunity alertness, IT capability and risk capability. The first four were also part of the identification of opportunities, whereas the three latter appeared frequently only in relation to exploitation. The table below thus outlines the capabilities that have been part of the exploitation of specific opportunities.

<table>
<thead>
<tr>
<th>OPP.</th>
<th>Relationship capability</th>
<th>Needs capability</th>
<th>Extension capability</th>
<th>Proactivity capability</th>
<th>Opportunity alertness</th>
<th>IT capability</th>
<th>Risk capability</th>
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</table>

Y = Yes, supported by the narrative; - = Unknown, not supported by the narrative.

Table 4: Capabilities involved in the exploitation of major opportunities recognized throughout the firm’s early phase.

Case A

The first opportunity to be exploited (A1) was a particular issue that certain customers had. The exploitation of this opportunity relied on the relationship with customers and an
understanding of their needs, as they worked together with the customers to find suitable solutions. Moreover, the exploitation of opportunities in this firm seems to always depend on the ability to employ considerable IT skills. The exploitation of the second opportunity in this case is very similar to the first one, but another customer. The development of products and solutions relied heavily on relationships with the customers with which they work together to find solutions, and each opportunity presented new technical thresholds to overcome. The third opportunity (A3) concerns the exploitation of a profitable technological solution, which called for IT skills to develop and relationship skills in order to promote to customers. Of the investigated firms, firm A is one of the most technology-driven ones, as most opportunities and activities of the firm usually related strongly to technology.

Case B
The first opportunity (B1) concerned the exploitation of customers in an Asian country. In order to be able to utilize this opportunity, the entrepreneur traveled to the country so as to promote his products to the prospective customers, having 50 presentations in five to six different cities. He relied on existing relationships in the country which led to the development of other relationships, and he also relied on his knowledge of the market and customers’ needs. It was clearly the case that he developed the market and anticipated regulatory changes in the country, to the extent that when the regulatory changes came in place, the firm was able to act on the opportunity fast. This opportunity hence came to involve many of the capabilities identified in this study.

Another major opportunity (B2) was that the firm found partners to collaborate with in the US. In order to exploit this opportunity, the entrepreneur drew on his knowledge of the industry and its needs. The entrepreneur then knew how to promote his firm in the industry, the insight into the industry’s workings was vital.

The third opportunity in this case (B3) concerned the acquisition of a firm, the exploitation of which involved that the entrepreneur had to assume a great deal of personal risk in order to fulfill certain financial obligations. It seems as if the deal would not have been possible without this risk-taking.

Case C
Although it was hard to pinpoint any specific opportunities with this firm, as their development seems to have been relatively straightforward, the interview with the respondent from this firm related mostly to the development of a specific customer group (C1). This seems to have been the major opportunity as well as a challenge. In order to do so, the two founders have engaged in very extensive traveling to prospective customers around the world. The task called for an ability to develop long-term relationships, in particular the ability to listen carefully and to attend to the customers’ needs were stressed the most.
Case D
The exploitation of the plans for innovations in the marketing procedures (D1) involved planning, development and proactivity, accompanied by IT skills. The realization of the second opportunity, the development of a specific customer segment (D2) did not seem to involve any of the capabilities identified in the study.

Case E
One of the major exploitation activities revolved around the task of finding a strong team (E1), which did not involve any of the capabilities aside from the need to constantly screen candidates thoroughly. The exploitation of many business opportunities in terms of new customers (E2) depended on relationships made at earlier times, including relationships with former colleagues and other start-ups, which the entrepreneurs could exploit to promote their new service. The expansion to one of the first country-markets outside of Sweden (E3) was to some extent the result of one of the entrepreneurs having a background in that country and thus knowledge as to the needs of that market, but extensive traveling to the market had also been important.

Case F
As described in the former section on identification of opportunities, this firm had uncovered an opportunity to collaborate with a specific group of firms (F1). Notably, the exploitation of one such major partnership seemed to be the result of some degree of opportunity alertness. The firm continuously sought opportunities for partnerships, among other things by means of extensive discussions. In this case the firm realized the opportunity to collaborate with a specific firm, and acted very fast on this opportunity, presenting their proposal to the focal firm the very next morning. This solution did however not last for any longer period of time.

In order to secure delivery of their service, the firm has made an important agreement with the delivery system providers so that the firm actually ran their networks, which would seem to indicate both insight into partners’ as well as customers’ needs and an ability to build long-term relationships with those actors. Partnerships is somewhat of a theme in this firm’s development, some turn out to be successful and some do not. The exploitation of the valuable partnership mentioned (F3) already in the identification section, entailed an ability to maintain these partner relationships.

The following table is the result of examining the realization, or exploitation, of the major initial business idea, and whether or not these capabilities were to a considerable extent involved in the exploitation. Whereas table 4 centers on the exploitation of important opportunities unveiled in the firm’s formation and early years, this table examines the realization as a whole, and complements the view from the specific opportunities.
Table 5: Capabilities significantly involved in the exploitation of the firm’s major business opportunity.

The above cases illustrate the importance of the capabilities, or 2nd-order themes, identified in this study. The relationship capability suggests that the ability to draw on lasting relationships, either newly formed or extant, was important to the ability to exploit these opportunities. Needs capability was important as a means for exploiting existing opportunities, which is not a surprise given that coordination should be an important part of managing relationships. Extension capability would suggest that an opportunity may be formed, and that there is also on occasion a need to physically meet customers or partners so as to exploit the opportunity. Proactivity capability was again important also in the context of exploitation and in this case it suggests that the exploitation of opportunities in some instances calls for a great deal of foresight and planning.

The following capabilities only seemed to be important in the context of exploitation of opportunities, and not identification. Opportunity alertness means that the exploitation of an opportunity at times was greatly helped by the entrepreneur being ready to act fast when an opportunity materialized. IT capability emerged often in the in the exploitation of ideas and services as these were often not physical services but IT services. Risk capability appeared only once in table 4, but emerges more clearly when surveying the exploitation of the initial business opportunity in table 5, suggesting that an entrepreneur or a manager at times had to be able and willing to expose themselves to high risk and uncertainty in order to be able to pursue an opportunity.

As one reads the cases, it is striking that the exploitation of opportunities seems to entail a broader range of capabilities than the identification of opportunities. The activities in relation to the identification of opportunities, at least the initial business ideas, are quite similar, whereas the activities in relation to exploitation of opportunities are more diverse. In table 5, especially extension capability, IT capability and risk capability emerged more strongly, when examining the realization of the major business idea in its entirety. The reading of the cases
also makes it clear that while the involved capabilities seem to be more diverse in the exploitation of opportunities, relationship capability still seems to be highly explanatory.

Examining table 4, the relationship capability comes across as the most frequently involved capability, and the needs capability the second most frequently involved capability, also in the exploitation of opportunities. The table would also suggest that there is a connection between relationship capability and IT capability. As no logical explanation comes to mind, and given the fact that the pattern is related to only two different firms, this seems like a coincidence. Aside from IT capability, the table would almost suggest a cluster comprised of relationship capability, needs capability and extension capability, while the other capabilities are more frequent when this cluster has not played a major part of the exploitation. There seems to be no relation between proactivity capability, opportunity alertness and risk capability.

**Observations in relation to international opportunities**

As the most defining characteristic of an INV is its international dimension, this study has sought to also highlight the characteristics or capabilities that were involved in the identification and exploitation of international opportunities in particular.

There were only a few international opportunities in the data that can be highlighted. This first table summarizes the capabilities and characteristics that notably were part of the identification of six international opportunities.

### CAPABILITIES INVOLVED IN IDENTIFICATION OF INTERNATIONAL OPPORTUNITIES

<table>
<thead>
<tr>
<th>OPP.</th>
<th>Int. fair/conference attendance</th>
<th>Traveling to potent. customers</th>
<th>Relationship capability</th>
<th>Needs capability</th>
</tr>
</thead>
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<td>6</td>
<td>Y</td>
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</table>

Y = Yes, supported by the narrative; - = Unknown, not supported by the narrative

*Table 6: Characteristics or capabilities involved in the identification of international opportunities.*

The most conspicuous observation is that international opportunities in terms of customers were identified *either* by means of attending fairs/conferences *or* by traveling to meet with potential customers. Relationships developed at an earlier stage and knowledge of special needs were also involved in the identification of international opportunities. It is interesting to compare the identification of opportunities in general (table 3) to the identification of
international opportunities (table 6). Notably, extant relationships seem to be less involved in the identification of international opportunities, than in the identification of opportunities in general, as only one of these international opportunities emanated from extant relationships. Instead, fair-attendance and traveling has been relatively more important in the identification of these opportunities.

This second table below centers on the entire firms and highlights characteristics or abilities that have been important in the exploitation of the firm’s international opportunities. The reason for not focusing on specific opportunities in this case is simply that the collected data were not detailed enough to connect them to specific capabilities.

<table>
<thead>
<tr>
<th>FIRM</th>
<th>Lived abroad to be close to a market</th>
<th>Extensive traveling abroad</th>
<th>Form. experience of working or living abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
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<td>C</td>
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<tr>
<td>F</td>
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<td>Y</td>
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</tbody>
</table>

Y = Yes, supported by the narrative; - = Unknown, not supported by the narrative

*Table 7: Characteristics involved in the exploitation of international opportunities.*

The table showcases primarily that a willingness to commit to the international opportunities by means of living abroad and by traveling extensively seemed to be an important part of the exploitation of international opportunities. The last column to the right also draws attention to the fact that at least four out of six firms had founders who had extensive experience from living or working abroad. The first two characteristics were explicitly linked to exploitation of opportunities in the narratives. Presumably though, it seems likely that experiences from living abroad at an earlier time should to some extent facilitate both identification of opportunities and exploitation of opportunities.
Discussion

Ellis (2011) centers on the question of how entrepreneurs identify opportunities for international exchange, and he reports that 40% of international business opportunities in his large-sample investigation were tie-based, meaning that they were identified by means of social ties. Tie-based opportunities correspond somewhat to what in table 6 is referred to as opportunities that to a considerable extent is influenced by a relationship capability. However, this study found that the identification of only 1 out of 6 international business-opportunities depends on extant relationships. That is a considerable difference, which could relate to measurement differences or the difference in sample size, aside from the possibility of an actual difference between the populations.

Ellis (2011) highlights geographic and cultural distance as the main obstacles to international exchange, which resonates with the extensive traveling and with the fact that the lion’s share of the international customers of the firms in this study was located in Europe and in the US. Moreover, Ellis’ (2011) investigation suggests that opportunities identified by means of social ties are more valuable, since they can be exploited and developed more rapidly. Ellis (2011) also implies that relationships abroad can bridge the obstacles of geographic and cultural distance, something which resonates with the observations made in this study. Thus, having relationships abroad should be necessary, you would prefer to have extant relationships, but if you do not have extant relationships you will have to create them. Ellis suggests (2011) that when entrepreneurs do not have social ties in certain areas, they could benefit from seeking to extend their network to these locations, he recommends it. In that vein, what he suggests is that entrepreneurs can attend international fairs. These lines of reasoning resonate very strongly with the results of this study, as seen in table 6: attending fairs, extant relationships and traveling to meet potential customers account for five out of six identified international opportunities in this study.

Moreover, in Ellis’ investigation, fair attendance generated 45% of the identified opportunities, whereas the same number in this investigation is two out of six, 33%. These non-tie methods of unveiling opportunities would be more important in distant markets where the entrepreneurs do not have any network ties, Ellis (2011) suggests. This could explain why the relationship capability seems to be less involved in the identification of international opportunities (table 6) compared to the identification of domestic opportunities (table 3, which includes mostly domestic opportunities). This also to some extent resonates with the observations in this study, as the two international opportunities which related to other areas than Europe and the US were discovered by means of fair attendance and traveling respectively.

As far as these lines of reasoning go, they resonate strongly with the results of this study, but a conspicuous difference is that 42% of exploited international opportunities in Ellis’ study were the result of unsolicited approaches made by other firms, unrelated to meetings at fairs. This is virtually non-existent in my data, it was only implied in one interview that the firm had gained many customers by means of being approached by formerly unknown customers.
Maybe especially in absence of these international social ties or relationships the founders’ own experiences assume a more prominent role. Madsen and Servais (1997) suggest that such is the case. They suggest (1997, p. 567) that experience from living abroad and experience from other internationally oriented jobs “mould the mind of the founder and decrease the psychic distances to specific product markets significantly”. This idea resonates directly with several of the international opportunities in this investigation and also with the fact that in at least four of the firms, one or several founders had experience from living or working abroad.

Similar to Mort and Weerawardena (2006) this study finds that networking capability provides access to a wide range of resources. In essence, the networking capability is, in their words, “instrumental in developing innovative products, in locating markets across national borders and in international market performance” (2006, p. 568). In accordance with Ellis and Mort and Weerawardena, this study suggests that networking capability is an essential part of international entrepreneurship. As for the conceptualization of networking capability, Mort and Weerawardena (2006) centers on the ability to form relationships, while Ritter et al. (2002) provide a more elaborated depiction of this capability. They suggest that the capability has a relationship dimension denoting the ability to form single relationships and a cross-relational dimension denoting the ability to manage the network as a whole (Ritter et al., 2002). As that conceptualization seems relevant and useful, this study has also adopted this and refers to the ability to form lasting relationships as a relationship capability.

**Capabilities aside from networking capability**

Moving in on what other capabilities that are important to INVs, one could broadly make a distinction between capabilities that are important in entrepreneurship and strategic management in general, and the ones that are especially important in an international entrepreneurship context. The former ones are elucidated on in entrepreneurship research, and the latter ones are more present in international business research and in the sub-field of international entrepreneurship.

Among the capabilities that are important in entrepreneurship in general, this study has highlighted proactivity, opportunity alertness, risk-taking and an ability to understand and act with an understanding of customers’ needs. Proactivity, opportunity alertness and risk-taking are all concepts which have received attention in entrepreneurship research (Gaglio & Katz, 2001; Lumpkin & Dess, 1996). The ability conceptualized as a needs capability has probably only been recognized in terms of the acknowledgement of a requisite demand to meet a supply, but in a speculative vein, it could be an important area to explore further.

Moreover, aside from these capabilities, all firms could be said to possess a value-creation capability on the supply-side of business exchanges, which together with the relationship capability underpins all business exchanges. Earlier work experiences have consistently been highly important to all of the entrepreneurs in that they have provided them with contacts, knowledge of customers’ needs, which they on occasion have felt and experienced first-hand.
themselves, knowledge of foreign markets, and much more which have been the result of these experiences. All of the interviewed entrepreneurs possessed some kind of specialized skills and knowledge either in terms of the mentioned work experiences or in terms of education.

A general pattern was that in the cases when opportunity identification was not the result of any of the found capabilities, what could be referred to as a more emphasized value creation capability was more common. It would seem as though the highest number of business opportunities would be identified and be exploitable when both value creation capacity and relationship capacities are highly developed.

Aside from these capabilities that are important in entrepreneurship in general, capabilities that are important in an international entrepreneurship context may relate to capabilities that will allow the entrepreneurs to overcome the impediments of geographic and cultural distance, the impediments which were highlighted by Ellis (2011). And in that vein, there are a few traits and capabilities in this study that could be relevant.

**Overcoming geographic distance**

First, the geographic distance would seem to be related to the inability of the founding entrepreneurs to be present themselves in several areas and could perhaps also relate to other communication abilities that are needed in order to transfer resources and distribute products. In this vein, two capabilities in this study could be particularly prone to resolving these impediments, namely networking capability and IT capability.

Networking capability would seem to simplify and be an efficient means of quickly finding partners or employees abroad, thus reducing the impediment of being physically present in other countries. IT capability would seem to facilitate the ability to offer services on a worldwide scale, thus to some extent simplifying the issue of transfer and distribution. In a related vein, Madsen and Servais (1997) suggest and imply that INVs are often, like in this study, high-tech firms.

**Overcoming cultural distance**

Cultural distance denotes the extent to which different country cultures are different (Shenkar, 2001), and something which would greatly bridge this distance is to have partners or employees in that country who are able to communicate the differences between the domestic firm and the market abroad. The networking capability could thus be an efficient means of doing so.

The other avenue, which was suggested above in the discussion, is that the founding entrepreneurs or members of the management team are able and willing to travel extensively and live abroad to bridge this cultural gap. They could do this either before starting a venture, or as they start moving in on a specific country market, and these behaviors were all common in the firms that I investigated, as shown in table 6 and 7.
One way to conceptualize this ability to overcome cultural distance could be the ability to travel to the areas where this culture is actually present, such as other countries and international fairs. The proposed extension capability could along those lines be an appropriate conceptualization in order to capture that ability.

<table>
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<tr>
<th>Generally important capabilities</th>
<th>Capabilities that are important in an international context</th>
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<tr>
<td>Relationship capability</td>
<td>Relationship capability</td>
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<tr>
<td>Needs capability</td>
<td>Extension capability</td>
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<td>Proactivity capability</td>
<td>IT capability</td>
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<td>Opportunity alertness</td>
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<td>Risk capability</td>
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*Table 8: Tentative distinctions as to the importance of capabilities in a domestic and in an international context.*
Conclusions and limitations

The main drawback of this study is that conclusions are to a large extent derived from narratives that are limited in terms of their specificity and ability to support causality. What I mean by specificity is that it is difficult to know if a specific activity has really been the cause of an effect, or if it is the result of only some sub-activity, or of some related activity with no causality at all. It is also hard to say to what extent extant research has influenced, like a lens, the identification of capabilities and events in this study. On a positive note however, the great advantage of this kind of study is its proximity to practice (Miles & Huberman, 1994), which provides an in many aspects more fine-grained and rich understanding of the studied phenomenon, in this case international entrepreneurship.

The research question centered on what capabilities that allow INVs to identify and exploit business opportunities. To this end, the investigation produced seven capabilities that have played a part in the process. Of these capabilities, especially relationship capability, needs capability and extension capability seemed to have been the most important ones. It is worth mentioning that previous work experience often seemed to be a source of both relationships and market knowledge that proved to be useful in the new firms. Above all, there seems to be no doubt that the relationship capability is a highly explanatory part of these processes, as it was the most frequently involved capability throughout the entire analysis, in the identification and in the exploitation of opportunities. The data has amply exemplified how relationships with other firms or individuals provide the firm with a wide range of resources, and the discussion has highlighted how the relationship capability seems to be highly important in the international context, especially as a means of exploitation of opportunities.

As for the international context in particular, the analysis especially highlighted the role of traveling abroad and attending international fairs as means of opportunity development. The ensuing discussion suggests how it could serve as a bridge, curbing cultural and geographic distance. Surprisingly in the international context, extant relationships were clearly not the primary means of opportunity development, as the analysis suggests that it is for INVs in general. Instead, in the case of international opportunities, the establishment of new relationships assumed a more prominent position.

A noteworthy and considerable implication emphasized by the reasoning in the theoretical framework of this study, and somewhat by the data of the study, is that if entrepreneurial teams lack certain capabilities, then there is a scope for involving individuals who possess those specific abilities. Because as highlighted by Helfat and Peteraf (2003) among others: The capabilities of the firm are a function of the abilities of all the individuals in the firm.

The most profound observation, or even insight, was just how strongly the relationship capability would emerge, just how fruitful it would be in terms of explaining a firm’s behavior and opportunities. The lasting impression will thus be that entrepreneurship, perhaps international entrepreneurship in particular, is an inherently relationship dependent phenomenon.
References


Appendix

Interview structure and questions:

1. Can you elaborate on the initial opportunity which led to the formation of the firm?
2. What other opportunities were identified during the startup process of the firm? *(Limit the subsequent discussion to the first four clearly crystallized opportunities, for each of these, ask the following questions:)*
3. How did you first become aware of the opportunity? *(Seek elaboration and trace root causes)*
4. What made you recognize the potential of the opportunity? *(Seek elaboration and trace root causes)*
5. In terms of the opportunity, to what extent was it realized and exploited? *(Seek elaboration and trace root causes)*