

Internationalization process through an opportunity lens

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Abstract

Purpose – The purpose of this paper is to establish a conversation between international business and international entrepreneurship literatures by analyzing if and how international opportunities are related to the internationalization process of the firm.

Design/methodology/approach – This paper reports finding from a backward-looking longitudinal, qualitative, embedded case study of an internationalized Brazilian firm, covering all 13 foreign markets where the firm has operated over 18 years.

Findings – Modal shifts within foreign markets were rare. Over time, the firm learned how to refine, rather than change, the servicing modes within each foreign market; it also learned how to better develop internal and exploitative opportunities, manage a portfolio of servicing modes across foreign markets, and use more complex mode servicing packages. Overall, international opportunities and the internationalization process of the firm were inextricably connected.

Research limitations/implications – The authors acknowledge limitations related to the statistical generalizability of the research method and suggest that statistical validation is needed as the research on opportunities and the internationalization process of the firm progresses.

Practical implications – Internationalizing firms should carefully consider the choice of entry mode in foreign markets. They should also understand that learning is not necessarily associated with change.

Originality/value – The authors show that the internationalization process of a traditional firm can be analyzed through an opportunity lens. This means associating characteristics of international opportunities with mode continuation and modal shifts in all foreign markets where the firm operates.

Keywords Internationalization process, International opportunity, Opportunity source, Opportunity learning, Sequential moves

Paper type Research paper

1. Introduction

The international business (IB) literature typically conceptualizes the internationalization of manufacturing firms following less accelerated international trajectories (herein traditional firms) as a behavioral process of uncertainty reduction (Forsgren, 2016). Johanson and



Vahlne (1977) suggest that such firms gradually accumulate market knowledge with the aim of lowering informational uncertainty stemming from foreign markets.

Other scholars, however, have recently challenged this view, suggesting that international opportunities may drive the internationalization process of traditional firms (Buckley *et al.*, 2016). Accordingly, operating in foreign markets does not necessarily result from uncertainty reduction but rather from the recognition, evaluation and development of international opportunities (Johanson and Vahlne, 2009; Teece, 2014).

The recent association between internationalization and international opportunity cross-fertilizes two literature strands that have been evolving quite independently from each other (Dimitratos *et al.*, 2014; Forsgren, 2016; Jones *et al.*, 2011): the IB and international entrepreneurship (IE) strands. Kalinic *et al.* (2014, p. 636) capture this phenomenon, stating: “[R]elatively recently, IE scholars moved some steps in exploring the connection between the decision making process and internationalization by focusing on opportunity recognition”. Similarly, Muzychenko and Liesch (2015, p. 705) suggest that “the firm internationalization literature has yet to integrate fully opportunity identification with its theorizing as limited attention has been given to its conceptualization”.

In this article, we bring together ideas from both literatures by focusing on international opportunities. We examine if and how international opportunities are related to the internationalization processes of traditional firms. Specifically, we look at the relationship between international opportunity source (internal vs external) and type of learning opportunity (exploitative vs exploratory), as well as foreign market servicing mode continuation or shift (herein mode continuation and modal shift, respectively). We ask three research questions:

- RQ1. Are international opportunities related to the internationalization processes of traditional firms?
- RQ2. What is the nature of the relationship between international opportunity source and mode continuation and modal shift?
- RQ3. What is the nature of the relationship between type of learning opportunity and mode continuation and modal shift?

To the best of our knowledge, we tackle a theoretical issue that has remained largely unexamined (Chandra *et al.*, 2012; Zander *et al.*, 2015).

By establishing a conversation between IB and IE, our major contribution is to show that the internationalization process of a traditional firm can be fruitfully analyzed through an opportunity lens. This means associating characteristics of international opportunities with mode continuation and modal shifts in all of the foreign markets in which the firm has operated.

This article is structured as follows: in Section 2, we present the theoretical background; in Section 3, we explain the methodology; Section 4 contains a description and analysis of the case; in Section 5, we discuss the results of our research; and the article ends with Section 6, the concluding section.

2. Theoretical background

2.1 International opportunities in the internationalization process of the firm

Opportunities have a fundamental role in entrepreneurship research (Sanz-Velasco, 2006), which suggests that entrepreneurial opportunities emerge due to shortages, surpluses and

misallocated resources within the market (Ardichvili *et al.*, 2003). Rather than market disequilibrium, firms' internal aspects and entrepreneurs' behavior are thought to explain such opportunities (Kirzner, 1997). In this sense, the existence of opportunities relies on uncertainty created by information asymmetry (Shane, 2003) and is shaped by factors such as prior knowledge and social networks (Ardichvili *et al.*, 2003). We define entrepreneurial opportunities (herein opportunities) as possibilities identified by firms and connected actors to establish or expand business, not only through the development of products and services (Shane and Venkataraman, 2000) but also through the cultivation of new customers, branches and markets.

Addressing this concept, Ellis (2000, p. 101) suggests that international opportunities are "the chance[s] to conduct exchange with new partners in new foreign markets". He then says that opportunities are only meaningful when they are taken. Thus, international opportunities are those that actually lead to "the formation of a new international exchange".

In reviewing the concept of international opportunities in IE, Mainela *et al.* (2014, p. 120) propose understanding international opportunities as "situation[s] that both span and integrate elements from multiple national contexts in which entrepreneurial action and interaction transform the manifestations of economic activity". More recently, Muzyczenko and Liesch (2015, p. 705) have argued that the concept of international opportunities should take into account not only effectively made opportunities but also the potential to seize them. Accordingly, international opportunities are "the likelihood of conducting exchange with new or existing partners, such as foreign intermediaries or foreign customers, in new international markets".

Our own conceptualization is closer to that of Ellis (2011). Here, international opportunities are conceptualized as exchanges formed by the firm and connected actors not only in new foreign markets but also in foreign markets in which the firm and its actors already operate.

The recognition and development of international opportunities may happen due to deliberate searching or chance (Mainela *et al.*, 2014). In the former case, the firm is constantly seeking opportunities to expand its business abroad (Chandra *et al.*, 2009). In the latter, the firm does not specifically seek an opportunity, but rather it happens to recognize one (Kirzner, 1997). There is no direct effort initially into the discovery of the opportunity itself; on the contrary, this opportunity happens due to a combination of "effort and luck joined by alertness and flexibility," commonly defined as serendipity (Denrell *et al.*, 2003, p. 978).

This notion of international opportunity resonates with process-oriented models of the internationalization of traditional firms (Johanson and Vahlne, 2009). Although earlier studies largely overlooked the opportunity side of internationalization processes (Johanson and Vahlne, 1977), more recent studies have to a certain degree concluded that internationalization is a form of opportunity development (Johanson and Vahlne, 2009; Vahlne and Johanson, 2013).

In this sense, Hohenthal *et al.* (2003) highlight opportunity discovery in internationalization processes. Johanson and Johanson (2006) focus on opportunities seized in networks. They propose that opportunity development in a foreign market is positively associated with the degree of network embeddedness of the firm's local partner. Johanson and Vahlne (2009, p. 1423) go even further, asserting that "internationalization resembles entrepreneurship and may be described as corporate entrepreneurship".

These theoretical findings are supplemented by empirical studies that use an opportunity lens to further our knowledge of the internationalization of the firm. For example, Chandra *et al.* (2009) found that firms with no international knowledge identified

initial opportunities in foreign markets through discovery. However, more experienced firms recognized first-time opportunities in foreign markets through both search and discovery. Vasilchenko and Morrish (2011) looked at the role of networks in exploiting and exploring international opportunities. They found that social networks are more frequently used in the initial stages of internationalization, which the researchers equated with exploration. They also discovered that the more the firm progressed with internationalization (exploitation), the more it turned to more formalized business networks. Chandra *et al.* (2012) showed that born and non-born global firms display similar patterns in opportunity development. The firms initially respond to smaller international opportunities and gradually seize larger opportunities. At the individual level of analysis, Muz̄ychenko and Liesch (2015) unveiled attitudes and self-efficacies associated with the identification of international opportunities in the internationalization of the firm.

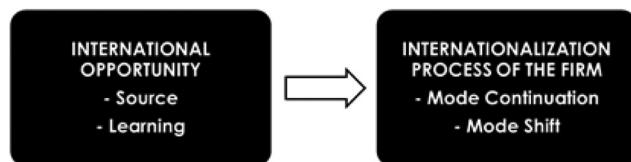
Of particular interest is the position advanced by Hadjikhani *et al.* (2005). They suggest that international opportunity development is likely to affect how firms enter and evolve in foreign markets. Dimitratos and Jones (2005, p. 69) and Jones *et al.* (2011, p. 643) have corroborated this finding, suggesting that a promising line of inquiry points to the relationship between international opportunities and internationalization patterns. We contend that this provides fertile ground upon which to bridge the IB and the IE literatures.

2.2 Analytical framework

We introduce a novel analytical framework that associates international opportunities and the internationalization process of the firm. We explore if and how international opportunities, as distinguished by source and learning, are related to either mode continuation (no shift) or modal shift (Figure 1).

Initially, it is important to determine the characteristics associated with international opportunities, as these characteristics can influence how the firm perceives opportunities in foreign markets (Chandra *et al.*, 2012; Dimitratos *et al.*, 2014). According to Foss *et al.* (2013), firms recognize international opportunities within a specific context. Identifying their characteristics may contribute to expediting the process of recognition and development of opportunities. Moreover, the complex and combinatorial characteristics of opportunities call for a distinction among the elements present in such opportunities (Denrell *et al.*, 2003).

We chose opportunity source (internal vs external) based on the assumption that opportunity identification influences internationalization pathways (Oviatt and McDougall, 2005). Here, opportunity source refers to the actor that identifies an international opportunity (Chandra *et al.*, 2009). Thus, opportunity source can be categorized as either internal or external. An internal source means that the firm itself is the actor that recognizes an international opportunity (Oviatt and McDougall, 2005). An external source, in turn, denotes when an international opportunity is sensed by an actor other than the firm such as the firm's buyers or suppliers (Foss *et al.*, 2013).



Source: Authors

Figure 1.
Analytical
framework

We selected opportunity learning type based on the recognition that scholars have traditionally conceived of the internationalization process of the firm as a learning trajectory (Johanson and Vahlne, 1977). They have suggested that how the firm enters and evolves in foreign markets is dependent on the knowledge acquired and recombined in international opportunity development (Johanson and Vahlne, 2009). Therefore, learning processes associated with international opportunities may shape the expansion of the firm in foreign markets by affecting its pace, orientation and extension (Forsgren, 2016).

Based on the work of March (1991), we categorized opportunity learning as either exploitative or exploratory. Exploitative opportunities imply the ongoing use of extant knowledge, in particular market knowledge (Vasilchenko and Morrish, 2011). Hence, they refer to learning acquired in local vicinities in connection with previous opportunities (Chandra *et al.*, 2012). Exploratory opportunities, in turn, imply variation and experiment (Gupta *et al.*, 2006). They refer to learning acquired while stepping into new foreign markets (Chandra *et al.*, 2009) or handling new international customers (Beckman *et al.*, 2004).

Having introduced the first prong of our analytical framework, we now turn to its second prong. Although it has long been suggested that the international involvement of the firm takes place before the firm selects the entry mode (Wiedersheim-Paul *et al.*, 1978), the choice of the foreign market entry mode is usually considered a landmark in the internationalization process of the firm (Root, 1994). Indeed, this is one of the most researched topics in IB (Hennart and Slangen, 2015).

According to Sharma and Erramilli (2004, p. 2), the entry mode is:

[...] a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations).

Morschett *et al.* (2010) point to a number of external antecedents shaping entry mode choice such as cultural distance and market attractiveness. Focusing on a particular entry mode, foreign direct investment (FDI), Dias *et al.* (2014) draw attention to internal antecedents such as firm experience and firm size. Leonidou and Katsikeas (1996) also point to firm experience and firm size as internal antecedents of exporting activities.

Rather than a single foreign market entry mode, a firm may select a set of modes (mode package) such as exporting and licensing when entering a particular foreign market (Benito *et al.*, 2009). That is, the firm may choose a combination of entry modes to service the given foreign market.

Here, we are particularly interested in the process that follows the initial choice to enter a foreign market, namely, single entry mode or mode package. According to Benito *et al.* (2005), such a process can be conceptualized as a binary outcome: the firm either continues or switches the initial single mode or mode package. Hence, we conceptualized the internationalization process of the firm as the overall pattern of mode continuation or modal shift.

Our analytical framework accommodates some possible associations between international opportunities and the internationalization process of the firm. As formerly discussed in the article, scholars have not investigated these associations (Chandra *et al.*, 2012; Vasilchenko and Morrish, 2011). Due to this lack of theoretical expectations, we refrain from zooming in on the associations before presenting the results of our empirical case.

3. Methodology

Chandra *et al.* (2012) forcefully suggest that scholars have just started exploring the opportunity side of the internationalization process of the firm. As a result, a number of issues related to the interface between IB and IE remain to be examined (Forsgren, 2016; Jones *et al.*, 2011). For example, it is still unclear how opportunity characteristics such as source and learning are associated with mode continuation and modal shift.

Such a lack of understanding drove us to develop a backward-looking or retrospective longitudinal, qualitative, embedded case study (Eisenhardt *et al.*, 2016; Langley *et al.*, 2013). Our dependent variable was the internationalization process of the firm, here represented by mode continuation and modal shift. This implies collecting processual, longitudinal data (Eisenhardt, 1989). According to Eisenhardt and Graebner (2007), there are two broad types of longitudinal studies: retrospective and real-time. Although the former implies collecting data about the past through archives, documents and interviews, the latter corresponds to investigations in which the researcher follows the events as they unfold. In our study, we reconstructed the internationalization process of the firm by collecting data from a number of sources focusing on past events. Thus, our research can be classified as a backward-looking or retrospective longitudinal study.

Second, our single case study in fact encompasses multiple sub-cases, each one corresponding to an internationalization process in a foreign market. Therefore, we analyzed the relationship between international opportunity and the internationalization process of a traditional firm in 13 different contexts. This option reduced our dependency on a single observation (Yin, 1984) and increased the study's variability (Eisenhardt *et al.*, 2016).

We used three broad criteria to identify our empirical case. First, a broader market scope considerably increases opportunity development (Teece, 2014). Therefore, we established that the selected firm should be operating in more than one foreign market. Our research questions are sensitive to process and dynamics (Langley *et al.*, 2013). Thus, we required that the selected firm should also have been operating in its foreign markets for an extended time span. Third, even though firms are usually reluctant to release financial and archival data (Langley, 1999), we required that the firm chosen provide free access to such data.

Initially, we searched for firms that met the first two criteria. While perusing the rankings of the highly internationalized Brazilian firms as produced by Dom Cabral Foundation, we found we had personal contacts with one of the ranked firms, Firm A (Fictitious name). Having verified that Firm A has triggered a number of continuous, long internationalization processes in various foreign markets, we asked for consent to study the firm. We explained that we needed historical data from archival sources, documents and possibly some interviews to map each of the internationalization processes triggered by the firm. Once Firm A agreed to open its doors to our research team, we seized the opportunity. There are pros and cons to our decision. On the one hand, we were granted rare access to primary and secondary data. Thus, we collected comprehensive data about the internationalization process of the firm as a whole, which is not at all trivial in processual research (Langley, 1999). On the other hand, Firm A may not be a revelatory case. It may not represent a typical internationalized Brazilian manufacturing firm, either, which implies concerns about the specificities of the case.

We designed an interview protocol divided into two parts. In the first part, we sought to trace the history of the firm as well as develop a broad picture of how it had evolved in the foreign markets in which it has operated and still operates. In the second part, we furthered our knowledge about each aforementioned foreign market by tracing the firm's sequential moves in the market. The ensuing questions are illustrative: "What was the entry mode selected for foreign market X?"; "Did the company switch this entry mode?"; "If so, how and

why?” We started data collection by gathering secondary data. In total, we collected 431 pages of secondary data, including financial statements, contracts with sales representatives and internal reports. Our primary data came from two waves of semi-structured, face-to-face interviews. Between June 2013 and February 2014, we interviewed 11 individuals, including the founders, the CEO, upper-level managers, international salespersons and foreign sales representatives in Brazil (Belo Horizonte), in the UK (Stratford-upon-Avon) and in the USA (Savannah). Due to some divergences, we carried out two more face-to-face interviews, one with Firm A’s CEO and another with the country manager. We digitally recorded all interviews and subsequently transcribed them verbatim. This resulted in 173 pages of double-spaced text.

We started data analysis by producing 28 documents based on excerpts from the interviews as follows: 26 documents with data regarding each foreign market mentioned by the interviewees, 1 document with data regarding the history of Firm A and 1 document with data regarding the relationship between Firm A and an Italian foundation equipment manufacturing firm. Then, we added the aforementioned secondary data to these documents. We found a number of divergences, which prompted us to go back to the original documents as well as the interviewees either via e-mail, phone or informal meeting.

We then wrote a preliminary version of the internationalization of Firm A for each foreign market cited in both the primary and secondary data (Eisenhardt, 1989). We emphasized the identification of opportunities developed in each foreign market (Chandra *et al.*, 2009). In this study, these opportunities were equated with discrete observations representing sold equipment and facilities abroad. Therefore, we considered an international opportunity as developed whenever Firm A, after entering a particular foreign market, sold foundation equipment or established facilities in that foreign market. We required at least two pieces of evidence per opportunity to ensure that the firm had effectively developed the opportunity. For sold equipment, we established that one piece of evidence had to be found in the sales registers.

We identified 151 post-entry opportunities developed in 13 foreign markets over 18 years. We built a spreadsheet in which we inserted such opportunities to categorize them. The categorization into sources was as follows: If any actor other than Firm A had identified the opportunity, we coded it as external; otherwise, we coded it as internal (Hadjikhani *et al.*, 2005). Based on Beckman *et al.* (2004), we categorized opportunity into learning as follows: Forming new relationships was an indication of exploratory opportunity, whereas reinforcing extant relationships was a manifestation of exploitative opportunity. Hence, for sold equipment, we categorized an opportunity as exploration if it had resulted from new relationships developed by the firm. Orthogonally, we categorized an opportunity as exploitation if the firm had used extant relationships to develop the opportunity. Finally, we categorized the opportunity Facilities Abroad as exploitation because it represented a search for better efficiency and scale (March, 1991). Table I contains some interview excerpts substantiating our categorization.

We then identified the servicing mode used in each of the developed opportunities. In considering the internationalization of Firm A, the following servicing modes were selected: indirect exporting, direct exporting, licensing and the establishment of new subsidiaries (sales and production). We then compared the servicing mode (single or package) at $t = 1$ (first mode) to $t = 0$ (entry mode), at $t = 2$ (second mode) to $t = 1$ (first mode), and thereafter successively. We aimed to detect whether the firm was involved with mode continuation or modal shift (Benito *et al.*, 2005). We chose one of the finest-grained categorizations of modal shifts in the literature to capture the smallest unit of change in terms of foreign market servicing mode. Benito *et al.* (2009) propose categorizing modal shifts as within-mode

Variable	Interview excerpts
Opportunity source – Internal	“We brought the equipment to a trade show in the US . . . and we met with a company from Texas. They were interested in another type of equipment, and if we manufactured it, they would buy ten equipment. We later met with them . . . , they specified what they wanted and we manufactured the equipment for them”
Opportunity source – External	“This customer used to rent used equipment from one of our customers. They [the new customer] decided to buy one equipment, so they contacted our sales agent directly”
Opportunity learning – Exploratory	“Our first customer in Argentina contacted us after they saw our product brochures. They liked our equipment and bought one truck mounted drilling rig”
Opportunity learning – Exploitative	“We sold a new equipment to an old customer in Argentina, which had bought the same equipment around 2007”
Mode continuation	“We had two important customers there [in Colombia] and directly exported some heavy equipment to them. We kept exporting large equipment [to Colombia]”
Modal shift	“Concurrently with the first sale to Uruguay, we cancelled the agreement with the customs broker. It didn’t make sense to pay a 5% commission for someone who was only distributing product brochures”

Source: Authors

Table I.
Interview excerpts

change, mode role change, mode addition or deletion and full mode change. Within-mode change, mode role change and mode addition and deletion represent changes in the modes, whereas full mode change represents changes between modes (Benito *et al.*, 2005). For example, if the firm makes some adjustments in its mode such as changing the site of its production subsidiary, it is considered to be carrying out a within-mode change. However, if the firm adds sales activities to a production subsidiary, it is thought to be involved in mode role change. The firm may also add or delete modes, such as adding licensing to exporting. Finally, the firm may replace its extant mode with a new mode such as exporting by production subsidiary. This triggers a full modal change.

We mapped the internationalization process of Firm A in each of the foreign markets it had entered based on these four types of modal shifts. Hence, if the firm had triggered at least one form of modal shift in a *t* unit, we categorized it as modal shift; otherwise, we considered the mode to remain the same (mode continuation) (see Table I for interview excerpts substantiating the categorization into mode continuation and modal shift).

Overall, our spreadsheet had 495 cells (151 post-entry opportunities plus 14 foreign market entries classified according to source, learning and servicing mode, i.e. (151 + 14)*3). A second coder revised our categorization. Out of the 495 observations, 58, or 12 per cent, were divergent. The degree of agreement between coders was 0.766 ($p < 0.05$) (Kappa index), which means “substantial agreement”. The coders discussed the divergences at length until they reached final agreement.

Comparative data analysis, the last step of our data analysis, was based on relatively simple descriptive procedures (Miles and Huberman, 1994). First, we calculated the relative frequencies of opportunity source and learning as well as mode continuation and modal shifts for the individual foreign markets. We compared the findings to highlight similarities and differences across them. Second, we calculated similar relative frequencies for the foreign markets altogether. In doing so, we showed all opportunities developed in the internationalization process of the firm as a whole. Third, we ran cross-tabulations (absolute

and relative) to compare the relationship between international opportunities (opportunity source and learning) and the internationalization process of the firm (mode continuation and modal shift). Fourth, we compared all these findings transversally (absolute and relative frequencies) by setting the year 2000 as a cutoff point. We chose this year because we had identified a critical juncture that year in Firm A's internationalization process. Not only had Firm A established two sales representatives in the USA, but it had also radically changed its internationalization pathways. It had begun to generate continuous sales to markets outside Latin America, the region that had been, until that point, the main location of the firm's foreign markets.

4. Results[1]

4.1 Firm background

With the initial aim of dismantling and reselling general machinery, Firm A's history stretches back to 1953. Two Italian brothers who had immigrated to Brazil in the late 1940s founded the firm. Some years later, the firm began to focus on repairing, dismantling, and renting construction equipment and cranes in particular.

In the 1970s, the firm succeeded in converting excavators to cranes. Later, the firm also began converting cranes to drills. According to the interviewees, this represented a milestone in the history of Firm A. It paved the way for the firm to reposition itself as a foundation equipment manufacturing firm. Firm A has now a broad product portfolio comprising a wide range of foundation equipment, such as drilled shafts, continuous flight augers and pile drivers.

4.2 Opportunities and the internationalization process of Firm A

Table II displays the overall results of our research. We present the results in terms of absolute and relative frequency. These results represent the outcomes of the cross-tabulation between opportunity characteristics (source and learning) and servicing mode selection (mode continuation, mode package continuation, within-mode change, mode role change, mode addition or deletion and full mode change). For example, 18 internal opportunities (opportunity source) were associated with mode package continuation (servicing mode selection) (Table II, second line, third column). All relevant results are in italics.

Broadly speaking, our results show relationships between opportunity source, opportunity learning and mode continuation (Table II). We found a relationship between

Opportunity servicing mode selection	Source						Learning			
	N/A	(%)	Internal	(%)	External	(%)	Exploration	(%)	Exploitation	(%)
Mode continuation	11	85	3	13	50	44	40	40	24	47
Mode package continuation	2	15	18	75	57	50	52	52	25	49
Within-mode change					3	3	3	3		
Mode role change			1	4			1	1		
Mode addition or deletion			2	8	3	3	4	4	1	2
Full mode change					1	1			1	2
Total (%)	9	100	16	100	75	100	66	100	34	100

Source: Authors

Table II. Opportunities and the internationalization process of firm a

internal sources and mode package continuation (75 per cent). We also found that external sources were more frequently associated with either single mode continuation (44 per cent) or mode package continuation (50 per cent).

The internationalization of Firm A in the USA is an example of the association between internal sources and mode package continuation. The firm itself recognized 21 out of 56 opportunities. Proportionally speaking, in no other foreign market did Firm A identify as many opportunities on its own as it did in America. This proactive behavior was especially pronounced beginning in 2011. At that time, the firm in Brazil was financially stable, and its key managers decided to invest in the USA market, seeking to expand the business. At the outset, Firm A operated in the USA according to a single mode (indirect exporting). From 2003 onward, however, it selected a mode package comprised indirect exporting, licensing, direct sales and a production subsidiary. Hence, the firm developed most of these internal opportunities by selecting a mode package comprising a number of servicing modes.

The internationalization of Firm A in Colombia illustrates our second finding, namely, the existence of a relationship between external sources and mode continuation. Firm A entered Colombia in 1992 driven by a firm called Firm B (Fictitious name). At Conexpo, an international trade show for the construction industry, Firm B bought two drills (CR08) that soon afterwards were directly exported. Firm A developed eight more opportunities in the Colombian market, seven of them externally recognized. All of the equipment was directly exported; that is, there was no modal shift in Colombia.

Finally, the internationalization of Firm A in Argentina exemplifies the association between external sources and mode package continuation. To date, Firm A has developed 29 opportunities in this market. With the exception of a handful of opportunities, these opportunities have largely been recognized by Firm A's customers (external sources) rather than Firm A itself. At the outset, Firm A used a single mode, direct exporting, for seizing these opportunities. In 2008, it added another mode, indirect exporting, to take advantage of an opportunity that had been identified by an independent sales representative. Since then, Firm A has operated in Argentina by maintaining a mode package composed of indirect and direct exporting.

In addition to these major findings, we found that the relationship between opportunity source and foreign mode selection varied with time. Internally recognized opportunities increased from 3 to 19 per cent over time. The internationalization of Firm A in the USA shows how internally recognized opportunities became more frequent with time. In later epochs of the internationalization of Firm A, there was an association between internal sources and mode package continuation. This pattern is somewhat similar to that of external sources: the firm mostly used single modes in the beginning of its internationalization process, selecting mode packages more frequently later on (64 per cent).

The association between external sources and foreign market servicing modes also varied in relation to the individual markets. For example, in Argentina, external sources were more related to single mode continuation (89 per cent, or 16 out of 18 opportunities). On the other hand, in the UK, external sources were nearly exclusively associated with mode package continuation (97 per cent, or 31 out of 32 opportunities). In neither market did Firm A recognize opportunities on its own. In the USA, internal sources (86 per cent, or 18 out of 21 opportunities) and external sources (71 per cent, or 25 out of 35 opportunities) were more related to mode package continuation. This analysis takes into account the three most important foreign markets for Firm A: Argentina, the UK and the USA.

Returning to [Table II](#), we found an association between both exploratory and exploitative opportunities and single mode continuation (40 and 47 per cent, respectively) and mode package continuation (52 and 49 per cent, respectively). This means that

opportunities seized in new and existing relationships alike induced mode continuation. Put differently, although types of opportunity learning discriminate between mode continuation and modal shift, they do not distinguish single mode continuation from mode package continuation. Having said this, we emphasize that the opportunities that induced modal shifts (8 per cent) were mainly exploratory (80 per cent).

The internationalization of Firm A in the UK is an effective example of the relationship between exploratory opportunities and single mode continuation. Firm A ventured into the UK in the late 1990s. Since then, it has developed 32 opportunities in this market. Of these opportunities, 59 per cent were seized in new relationships formed between the firm and either customers or sales representatives. This means that Firm A acquired and recombined new customer knowledge during the development of these opportunities. In doing so, it did not change its foreign market entry mode (direct exporting).

The association between exploitation opportunities and single mode continuation is illustrated by the internationalization of Firm A in the Dominican Republic. Firm A entered this market driven by a customer interested in a specific drill. It subsequently developed three more opportunities, all of them within existing relationships. This means that the same customer bought such equipment. There was no modal shift in this market.

We found that the relationship between opportunity learning and foreign market servicing mode was also influenced by time and market. The temporal dimension reveals that exploratory opportunities dropped slightly, from 70 to 65 per cent, in the course of the internationalization of Firm A. More importantly, whereas earlier exploratory opportunities implied single mode continuation (100 per cent), later exploratory opportunities were mainly related to mode package continuation (66 per cent). By contrast, exploitative opportunities increased over time from 30 to 35 per cent. Exploitative opportunities were also more related to mode package continuation in later epochs of the internationalization of Firm A in foreign markets (60 per cent).

By considering again the three most important foreign markets for Firm A, we can see that exploratory as well as exploitative opportunities were most frequently associated with single mode continuation in the Argentine market. However, both were more frequently related to mode package continuation in the UK and in the USA.

In sum, external opportunity sources and exploratory learning opportunities were associated with the greatest mode changes. Yet mode change turned out to be a rare event. We found considerable inertia in the continuation of single modes or mode packages over time within the various foreign markets; moreover, mode continuation was systematically related to source and learning opportunities in each market. In other words, single modes and mode packages within markets were refined but rarely changed over time. Finally, internally recognized exploitative opportunities were more common in the later stages of the firm's internationalization, displaying evidence of learning in opportunity development.

5. Discussion and implications

Our main finding indicates that opportunities were related to the internationalization process of the traditional firm. As our case illustrates, mode continuation (single vs package) was far more common than modal shift. Hence, we can recast this relationship more precisely as follows: Opportunity source and learning types are associated with foreign market servicing mode continuation. In other words, longstanding servicing modes are related to opportunity source as well as the types of learning involved in opportunities. Interestingly, external sources alone were primarily related to single mode continuation, whereas a mixture of external and internal sources was primarily associated with mode package continuation.

Broadly speaking, this finding lends support to [Oviatt and McDougall's \(2005\)](#) and [Jones *et al.*'s \(2011\)](#) propositions that link opportunity source and internationalization pathways. However, these authors have focused on either born-global firms or new international ventures. These firms usually pursue accelerated internationalization processes by developing a number of international opportunities in different foreign markets simultaneously ([Zander *et al.*, 2015](#)). In this study, we focused on more traditional firms; that is, manufacturing firms following less accelerated internationalization processes. Despite this choice, we still found associations between international opportunity source and the internationalization process of the firm.

Our results are also in line with the idea that the internationalization process of the firm is dependent on learning in opportunity development ([Johanson and Vahlne, 2009](#)). A brief clarification of the relationship between opportunity learning and mode continuation is needed, however. Because our proposition suggests that the firm evolves in foreign markets by exploring and exploiting international opportunities without switching modes, it draws attention to an issue often disregarded in studies of internationalization processes (for an exception, see [Figueira-de-Lemos *et al.*, 2011](#)) but acknowledged in the literature on organizational learning ([Berends and Antonacopoulou, 2014](#)). Firm learning does not necessarily induce changes in firm activities, practices or routines; rather, it can lead to the refinement of current practices and routines, or in our case, servicing modes. In our view, this is important for research in IB and IE for two reasons. In addition to representing a finding scarcely reported in either field ([Chandra *et al.*, 2012](#)), the proposition can be viewed as a warning about the risk of conflating the mechanism of internationalization (learning in opportunity development) with its outcome (foreign market servicing mode selection). As [Figueira-de-Lemos and Hadjikhani \(2014\)](#) have recently reminded us, unfortunately, this seems to be common practice in empirical research.

Our second result shows that the relationship between opportunity source and learning and mode continuation was temporally embedded ([Jones and Coviello, 2005](#)). First, the more international opportunities that Firm A identified, the more Firm A used the more complex modes that it had selected in the past. This is particularly remarkable in the American market in which Firm A coped with a rather complex mode package composed of exporting (direct and indirect), licensing, direct sales and FDI. Our data suggest that the improvement of firm capabilities for identifying international opportunities is followed by the building of capabilities for coping with more complex modes ([Vahlne and Johanson, 2013](#)) and the management of a portfolio of different servicing modes across foreign markets ([Nachum and Song, 2011](#)). Clearly, learning in opportunity development and internationalization processes are temporally intertwined. Second, exploitative opportunities were more frequent in later epochs of Firm A's internationalization process. We show that the firm favored deepening and broadening, rather than only broadening, its relationships as it evolved in foreign markets. According to [Beckman *et al.* \(2004\)](#), firms usually opt to reinforce extant relationships when market uncertainty is high. The authors view this as a poor strategy, arguing that forming new relationships is more effective in the face of high market uncertainty. Reasoning in this way, we claim that Firm A was intelligent (or lucky) in the course of its internationalization process. At the outset, when market uncertainty was usually at its peak ([Johanson and Vahlne, 1977](#)), the firm searched for new relationships. With its accumulated market knowledge, which

surely reduced market uncertainty (Figueira-de-Lemos *et al.*, 2011), Firm A opted to deepen existing relationships while broadening into others (Beckman *et al.*, 2004).

Taken as a whole, our results draw attention to time as a pivotal dimension of the internationalization process of the firm (Forsgren, 2016; Jones and Coviello, 2005). More specifically, what happens early on in the internationalization of the firm may be substantially different from what happens later (Gao and Pan, 2010). This research thus serves as a springboard for suggesting that studies of foreign market entry should be de-emphasized in favor of truly dynamic, process-oriented studies of the internationalization of the firm. Doing so would provide a finer-grained understanding of how firms enter and, probably even more importantly, evolve in foreign markets (Shaver, 2013; Welch & Paavilainen-Mäntymäki, 2014).

Our third result indicates that the relationship between opportunity source and learning and mode continuation is geographically embedded. We found that this relationship varied across the three most important foreign markets for Firm A. Whereas in the UK and in the USA, exploratory and exploitative opportunities were associated with mode package continuation, in the Argentine market, they were related to single mode continuation. In addition, we discovered that the firm's overall pattern of mode continuation and modal shift was at variance with the patterns displayed in these markets. This finding highlights that the internationalization pathway in a specific foreign market does not necessarily mirror the internationalization of the firm as a whole (Hadjikhani *et al.*, 2014; Maitland *et al.*, 2005). Unsurprisingly, this is in accordance with recent research, which has convincingly shown that slicing the internationalization of the firm into different pathways provides a partial picture at best of the firm's internationalization (Shaver, 2013). Given that, we contend that future cutting-edge research on the internationalization of the firm must rely more on understanding not only the parts of the process but also the process as a whole (Welch and Paavilainen-Mäntymäki, 2014).

6. Conclusion

By bringing together ideas from IB and IE, we analyzed the internationalization process of the firm through an opportunity lens. We underscored the opportunity side of the internationalization processes of manufacturing firms that follow less accelerated processes (Johanson and Johanson, 2006). In doing so, we conceptualized the internationalization process as a form of opportunity development (Johanson and Vahlne, 2009), thus contributing to a brand-new stream of research (Forsgren, 2016).

Specifically, we suggested that opportunity source and learning are more associated with mode continuation than modal shift. We posited that over time firms learn to:

- refine, rather than switch, servicing modes within foreign markets;
- better develop internal and exploitative opportunities;
- manage a portfolio of servicing modes; and
- identify when and how to use complex servicing mode packages to capitalize on a mix of (internal and external, exploratory and exploitative) opportunities in new foreign markets.

These propositions have been inductively derived from empirical research that examines sequential moves in all of the foreign markets in which the selected firm has operated.

Based on these results, our contributions are as follows. We propose that learning does not always result in modal shift, in doing so challenging the bulk of the IB literature and more specifically the Uppsala model (Figueira-de-Lemos *et al.*, 2011). We also propose that firm capabilities for identifying international opportunities are developed concurrently with the capabilities for coping with more complex modes (Vahlne and Johanson, 2013). We point to the importance of the time dimension in the internationalization process of traditional firms (Welch & Paavilainen-Mäntymäki, 2014). Our emphasis on sequential moves in all foreign markets in which the firm operates suggests the importance of understanding the internationalization process of the firm as a whole, rather than as a series of disconnected parts (Shaver, 2013). Finally, we extend the work of Jones *et al.* (2011), showing that the internationalization processes of traditional firms can be analyzed through an opportunity lens[2].

Of course, our research is not without limitations. Limitations related to the statistical generalizability of the research method must first be acknowledged (Yin, 1984). We were obviously not able to test the statistical significance of the relationships proposed here. However, we suggest that statistical validation is needed, as the research on opportunities and the internationalization process of the firm progresses. In this regard, we are still exploring the research landscape to unveil and explicate relationships between constructs and themes (Eisenhardt *et al.*, 2016). Second, because we disregarded missed opportunities, survivorship bias cannot be ruled out. Although we acknowledge that tracking missed opportunities them is difficult, even impossible, we believe that research on international opportunities and the internationalization process of the firm is likely to benefit from such an attempt. For example, does modal shift occur if international opportunities are not taken or fail to come to fruition? How? How often? Third, right censoring bias cannot be discarded, either. In foreign markets in which Firm A did not develop an opportunity for a while, we were not sure whether the firm had exited these markets. As we found that Firm A had seized opportunities in some foreign markets after a seven-year no-sale window, we opted to believe that the firm was still operating in the markets. Fourth, we restricted our analysis to opportunity source and learning. However, scholars such as Vasilchenko and Morrish (2011) and Chandra *et al.* (2009, 2012) have pinpointed other opportunity characteristics such as interlinkages in networks, nature, significance and geographical scope. Fifth, we showed that the relationship between international opportunity and the internationalization process of the firm is contingent on time. However, we did not discuss how this relationship evolves over time. In doing so, we neglected the role of path dependency in the internationalization process of the firm. Future research should explore this as an avenue for advancing the concept of path dependence in IB (Araujo and Rezende, 2003). Sixth, the institutional context of the decision-makers is likely to affect the choice of the foreign market entry mode and modal shifts (Gama *et al.*, 2016). Although we interviewed a foreign sales representative, we mostly collected primary data based on interviews carried out with Brazilian decision makers. Thus, we investigated decisions that were the outcomes of individuals embedded in the home country of the firm. Seventh, we proposed that learning in opportunity development does not necessarily induce changes in modal shifts. As this proposition has been inductively derived, future studies should take care to test it statistically. If this proposition is found to hold, we should examine generative mechanisms other than learning that lead to modal shifts in foreign markets (Forsgren, 2002).

Finally, it is worth mentioning that our analytical framework suggests that international opportunity characteristics are antecedents of the internationalization process of the firm. This means that opportunity source and opportunity learning precede mode continuation and/or modal shift. However, once a particular mode is chosen, that mode can influence opportunity source and opportunity learning. In such a case, there will be a recursive relationship between opportunity source and learning and mode continuation and/or modal shift. We believe that we can further our understanding of the internationalization process of the firm through an opportunity lens by suggesting that opportunity source and opportunity learning can also be outcomes of past modal decisions.[3] The future research opportunities appear robust.

Notes

1. Space constraints prevent us from presenting the cross-tabulation tables that display the results of the temporal and spatial dimensions of opportunity source and learning vis-à-vis foreign market servicing mode selection. They are, however, available from the first author at request.
2. We thank an anonymous reviewer for this comment.
3. We are indebted to an anonymous reviewer for this point.

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