J Int Entrep (2015) 13:260–276
DOI 10.1007/s10843-015-0149-5

International opportunity recognition in international new ventures—a dynamic managerial capabilities perspective

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Published online: 9 April 2015

Abstract This article aims to advance theoretical knowledge of the international opportunity recognition in international new ventures (INVs) from a dynamic capabilities perspective with particular focus on the emergent perspective of dynamic managerial capabilities. Building the extant literature on international opportunity recognition, dynamic capabilities theory, this paper presents a conceptual framework explaining how dynamic capabilities of the firm can be created and enacted through the entrepreneur's dynamic managerial capabilities and actions for international opportunity identification for international firm growth. Drawing on the dynamic capabilities theory and more recent dynamic managerial capabilities perspective, this article enriches understanding of how opportunities are identified for the venture's international development and growth. The article concludes with theoretical and research implications.

Keywords Dynamic entrepreneurial capabilities · International entrepreneurship · International new ventures · International growth

Introduction

Recognition of market opportunities is a central part of the entrepreneurial process (Shane and Venkataraman 2000). In the traditional entrepreneurship literature, the dominant perspective (Kirzner 1997), of opportunity recognition is influenced by entrepreneurial alertness discovering opportunities as imprecisely defined market needs

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that the entrepreneur may become aware of. This approach circumscribes that opportunities are discovered based upon the existence of ex ante objective differences between entrepreneurs and non-entrepreneurs (Kirzner 1973; Shane 2000) in particular the lack of entrepreneurial alertness residing with non-entrepreneurs. The Kirzerian approach to opportunity recognition is well supported by Jones et al. (2011) in their review of international entrepreneurship studies, indicating that most papers used this opportunity concept. However, another debate in this area acknowledged, however, that opportunities cannot only be found but also created (Ardichvili et al. 2003; Schumpeter 1934). This alternative approach focuses more on how a venture's innovation can lead to the creation of new markets (Lumpkin and Lichtenstein 2005). While entrepreneurial processes may sometimes consist of recognizing opportunities, changing or modifying markets, it is equally true that at other times new markets are created (Gaddefors and Anderson 2008; Sarasvathy 2004). Whether recognized or created, of key interest is why certain individuals discover and exploit opportunities that others do not (Kirzner 1997; Shane 2000; Shane and Venkataraman 2000; Venkataraman 1997). Extant studies have found that opportunity recognition depends on the three individual attributes of the entrepreneur: (i) prior knowledge (Kirzner 1997; Shane 2000; Venkataraman 1997), (ii) social networks (Ellis 2000; Ozgen and Baron 2007), and (iii) entrepreneurial marketing seeking behavior and alertness (Kirzner 1997; Shane 2000).

Similarly, as opportunities exist both in domestic and in international markets (Zahra et al. 2005), scholars in the field of international entrepreneurship have called for more research on how international opportunities are identified and exploited (Dimitratos and Jones 2005; Ellis 2000; Zahra et al. 2005). International entrepreneurship (IE) is described as "a process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in the pursuit of competitive advantage" (Zahra and George 2002, p. 11) and later defined as "… the discovery, enactment, evaluation and exploitation of opportunities across national borders—to create goods and services" (Oviatt and McDougall 2005, p. 540). Consequently, the role of international context influencing opportunity recognition in early stage venturing is an important and understudied area of research (Jones et al. 2011). In Jones et al.'s review of the IE literature (2011), only six papers have been identified that address the concept of opportunity identification. Such limited focus of studies on opportunity recognition in international entrepreneurship comes as a surprise since the entrepreneurial opportunity has been argued to be the focal entity of entrepreneurship studies (Venkataraman 1997).

So how are international opportunities identified and exploited in international new ventures (INVs)? It has been well founded in studies on international new ventures that INV entrepreneurs greatly impact their firms' international development. Research in the international entrepreneurship area, inspired by literature on strategic choice (Child 1972), the upper echelons of firms (Hambrick and Mason 1984), and entrepreneurial theory (Feezer and Willard 1990), argues that it is important to focus on individuals to explain international growth in new ventures (Andersson 2000; McDougall et al. 2003). As with mainstream entrepreneurship research, INV studies have noted the differences between entrepreneurs and non-entrepreneurs for INV creation (see Oviatt and McDougall 1994), noting that some entrepreneurs identify and exploit international opportunities, while others do not (Andersson 2000; Nummela et al. 2004).

Entrepreneurs' capabilities to discover and create opportunities are argued as being central to understanding the firm's international growth (Mainela et al. 2014); however, research is limited in identifying and understanding how the entrepreneur's managerial capabilities are developed that enable the firm to recognize and exploit international opportunities. The influence of the founding managers' networks, mind-set, and orientation on their ability to identify and exploit international opportunities (Mainela et al. 2014) has been discussed in the international entrepreneurship literature, however, to a limited extent.

Founded upon the dynamic capabilities perspective of the firm (Eisenhardt and Martin 2000; Teece et al. 1997; Weerawardena et al. 2007), this research imports conceptual theory from the emergent concept of dynamic managerial capabilities (Harris and Helfat 2014; Adner and Helfat 2003) to explain how the managerial capabilities of the entrepreneur are actually developed and manifested in INVs. The concept of dynamic managerial capabilities is a direct analogy to more general organizational "dynamic capabilities,…" (Adner and Helfat 2003 :1012). Dynamic managerial capabilities refer to the "capacity of managers to create, extend or modify the way in which an organization makes a living in for-profit firms, or fulfills its mission in non-profit organizations, including through changes in organizational resources and capabilities" (Harris and Helfat 2014, pg. 1) The concept of dynamic managerial capabilities helps explain differences in managerial actions and decisions.

Relatively few studies have focused on the manager or on how knowledge and capabilities develop at an individual level in an international business context (Jones et al. 2011). Equally, few studies have used the dynamic capabilities concept to explain how top management influences the firm's internationalization (Evers 2011; Autio et al. 2011). No research to date has examined nor argued the relevance of dynamic managerial capabilities to understand how INV entrepreneurs recognize and exploit international opportunities to explain growth and development of INVs. In line with recent calls for more dynamic processual models in INV research (Evers et al. 2012; Chandra et al. 2012), this article presents a dynamic theoretical model to explain how dynamic managerial capabilities are developed and how they influence international opportunity recognition leading to rapid international growth. Further, importing concepts from the dynamic capabilities perspective is much needed in the context of understanding growth and development of INVs so as to help crystallize the processes of capability building within the firm and also the capability building process on an individual level—in this case, the entrepreneur-managers.

This article proceeds with a review of the literature. The review reveals that few studies employ the concept of dynamic capabilities with a focus on managers to enrich understanding of rapid international growth. Thereafter, to shed more light on the dynamic managerial concept, we discuss how these capabilities affect rapid internationalization. Then, we present a conceptual framework of the constructs underpinning the dynamic managerial capabilities and their relationships with international opportunity recognition in INVs. Finally, conclusions are drawn and theoretical contributions and recommendations for policy and further research are presented.

Literature review

Dynamic capabilities perspective

While implicitly suggesting the need to distinguish capabilities from resources, dynamic capabilities theory stresses the importance of the dynamic processes of capability building in gaining competitive advantage (Weerawardena et al. 2007). In contrast to the resource based view (RBV), dynamic capabilities theory addresses how firms can sustain resource-based advantages in dynamic environments (e.g., Eisenhardt and Martin 2000; Griffith and Harvey 2001). Dynamic capabilities theory posits that the firm needs to develop new capabilities to identify opportunities and to respond quickly to them (Teece 2014). Firms possessing dynamic capabilities are active generators of competitive resources from which managers "integrate, build, and reconfigure internal and external resources, skills and functional competencies to address rapidly changing environments" (Teece et al. 1997, p. 516). Dynamic capabilities help the firm implement new strategies in response to changing market conditions by combining and transforming available resources in new and different ways (Ambrosini et al. 2009; Teece et al. 1997; Zahra et al. 2006).

Although previous research has examined dynamic capabilities for some time (Eisenhardt and Martin 2000; Teece 2012, 2014; Teece et al. 1997; Weerawardena et al. 2007), theoretical advancements have been limited regarding how dynamic capabilities materialize over time (Ambrosini et al. 2009; Newbert 2007) and, in particular, how new ventures internationalize (Evers 2011; Evers et al. 2012). Despite significant research output in recent decades on INVs, little research has examined how managerial capabilities develop. Early internationalization may facilitate development of a more dynamic and innovative strategic posture on INVs. Managerial capabilities may cause the decision-maker to pursue both international and domestic growth opportunities more proactively (Frishammar and Andersson 2009), and they may also make the firm better equipped to take advantage of such opportunities (Autio 2005).

Dynamic capabilities perspective and INVs

International performance has been found to be also a function of an entrepreneur's managerial competence (Evers 2011; Teece 2014). Many studies hold that INVs, to internationalize successfully, much depend on the internal capabilities of the firm (Autio et al. 2000; McDougall et al. 1994; Zahra et al. 2000). Emergent in INV literature is that the dynamic capabilities view has assigned a prominent role to the entrepreneurial decision-makers in the formulation and implementation of competitive strategy (Weerawardena et al. 2007). Studies also support the view that entrepreneur-specific capabilities are important for international performance (Bloodgood et al. 1996; Knight and Cavusgil 2004; McDougall and Oviatt 1996; Teece 2014; Zucchella et al. 2007) and can influence the strategic management and direction of the firm (Weerawardena et al. 2007).

Internationalization adds even more external dynamism and uncertainty to which a new firm is already subjected. Andersson (2000) argues that to cope with uncertainty and dynamic environments, some entrepreneurs develop heuristics and inductive logic that make entrepreneurs able to identify and exploit international opportunities. Consequently, Perlmutter (1969) states that "the more one penetrates into the living reality of international firms, the more one finds it necessary to give serious weight about the way executives think about doing business around the world." In international dynamic environments, top managers in INVs use and develop managerial capabilities to identify opportunities and to combine and transform resources (Evers 2011; Eisenhardt and Martin 2000). In the INV literature, the dynamic capabilities of the firm support the view that managers may affect both the internal attributes of an organization and its external environment (Evers 2011).

For example, Weerawardena et al. (2007) consider the owner-manager central to the development of dynamic capability for knowledge-intensive firms, and Evers' (2011a, b) findings supported this view for entrepreneurs leading low-knowledge intensive high growth INVs.

Bateman and Crant (1993) refer to the construct of a proactive personality, which is defined as the extent to which individuals "scan for opportunities, show initiative, take actions, and persevere until they reach closure by bringing about change" (p. 36). Evers (2011) refers to this as *subjective capabilities* and commonly displayed by the INV entrepreneurs' personal traits and capabilities. INV literature weighs heavily on studies supporting the view of entrepreneurial-oriented behaviors by engendering global vision, proactiveness, risk-taking, and customer-orientation from inception (Moen 2002; Rialp et al. 2005). Other subjective attributes were global mind-set of the founder (Knight and Cavusgil 2004). Global mind-set refers to the INV founder's proactiveness and vision toward leading and managing their new ventures on international markets (Harveston et al. 2000). Entrepreneurial-orientated firms display capabilities like innovation and proactively seek opportunities to recognize opportunities (Lumpkin and Dess 1996). For example, research has found that some managers adopt an international strategy from inception while others focus on their home market (Andersson and Wictor 2003; Madsen and Servais 1997; McDougall et al. 2003).

Many studies have established that INVs rely on resources from the entrepreneur's network partners to overcome liabilities of smallness, newness, and foreignness, as well as to identify and exploit opportunities in international markets (e.g., Evers and O'Gorman 2011; Vasilchenko and Morrish 2011). Such prior experiential knowledge and access to network ties represent a unique resource for the firm in the form of human capital embedded in the INV founder-manager(s) (Loane and Bell 2006). However, the author conjectures that "economic rents for the firm' will not be generated for the INV from such objective knowledge and capabilities if managerial effort and motivation are lacking or misdirected" (Castanias and Helfat 2001). This strand of research shows that liabilities of newness and foreignness in international new ventures (INVs) can be compensated by the founding entrepreneurs' managerial capabilities and resources, such as knowledge, experience, and networks from past activities.

Dynamic managerial capabilities

While a considerable amount of studies have focused on the traits of the entrepreneur, the overall conclusion is that the entrepreneur is difficult to profile (Gartner 1985) and that diversity itself is probably a key characteristic of the entrepreneurs' population (Landström et al. 2012). As a consequence, it has been suggested that entrepreneurship research should be about what the entrepreneur does and not about who he is (Gartner 1988). In the last two decades, there has been a shift from a focus on the entrepreneur and his/her traits to an increased interest in behavioral and process-related aspects (Landström et al. 2012). For instance, many scholars have also taken the view that dynamic capabilities are developed consciously and systematically by the willful choices and actions of the firm's strategic leaders (Grant 1991; Teece et al. 1997; Weerawardena et al. 2007; Evers 2011).

Following the logic of the RBV (Barney 1991), Castanias and Helfat (2001) suggest that managerial resources, defined as the skills and abilities of managers, can be difficult to replicate quickly. Managerial skill sets combined with other firm assets and capabilities jointly have the potential to generate rents and can be "key contributors to the entire bundle of firm's resources that enable some firm's to generate rents more than others (Castanias and Helfat 2001, p. 662). Strategic management scholars examining medium to large organizational contexts (Adner and Helfat 2003; Harris and Helfat 2014) have suggested that managers can use their dynamic capabilities to shape the development and deployment of organization-level dynamic capabilities and to alter existing organizational resources and capabilities.

Teece (2007) applied the dynamic capabilities perspective to opportunity recognition and exploitation for firm growth at enterprise level and makes reference to such capabilities "with which managers build, integrate, and reconfigure organizational resources and competences" (Teece 2007:1012). Teece (2007: 1322) posits that dynamic managerial capabilities can 'shape opportunities, enterprises must constantly scan, search, and explore across technologies and markets, both "local" and "distant". He further identified three types of managerial capabilities: (1) sensing (which means identifying and assessing opportunities outside your company), (2) seizing (mobilizing your resources to capture value from those opportunities), and (3) transforming (continuous renewal). He contended that the "enterprise will need sensing, seizing, and transformational/reconfiguring capabilities to be simultaneously developed and applied for it to build and maintain competitive advantage" (Teece 2007: 1381).

Adner and Helfat (2003) allocated a more prominent role to managers within dynamic capabilities perspective (Eisenhardt and Martin 2000; Teece et al. 1997) by "making (dynamic capabilities) distinct in its singular focus on the capacity of managers, individually and in teams, to effect strategic change" (Helfat and Martin 2014, pg 25). Managers may impact both the firm's internal attributes and its external environment by using their dynamic managerial capabilities "to shape the development and deployment of organization-level dynamic capabilities and to alter existing organizational resources and capabilities" (Harris and Helfat 2014, pg 25). Adner and Helfat (2003) define dynamic managerial capabilities as "the capacity of managers to create, extend or modify the way in which an organization makes a living" (pg. 1012). Drawing on extant theory, they suggest that dynamic managerial capabilities are rooted in three underlying factors: managerial human capital (Castanias and Helfat 1991, 2001), managerial social capital (Burt 1992; Gelatkanycz et al. 2001), and managerial cognition (Hambrick and Mason 1984; Huff 1990; Johnson and Hoopes 2003).

As part of our conceptual framework, each of these is discussed below.

Conceptual framework

Building on the above arguments, this paper argues that the INV entrepreneur possesses dynamic managerial capabilities based upon Adner and Helfat's (2003) underlying factors underpinning the dynamic managerial capabilities concept: managerial cognition, managerial social capital, and managerial human capital. These factors, separately and in interaction, influence international opportunity recognition leading to international growth. In line with earlier research, the current discussion examines these factors more explicitly, focusing on research dealing with individual managers rather than organizations or groups. With international new ventures as the focus of this study, the conceptual framework is especially directed toward dynamic managerial capabilities in international new ventures.

Managerial cognition and global mind-sets

We define cognitions in line with Gavetti and Levinthal (2000), as “a forward-looking form of intelligence that is premised on an actor’s beliefs about the linkage between the choice of actions and the subsequent impact of those actions on outcomes.” Managers’ capacity to process new information is limited, and thus people try to minimize cognitive efforts (Baron 1998). To do so, people develop heuristics (simplified models) that guide them in their decision-making. Research in the business literature has discussed these models using different terminologies, including mental maps, frames of reference, mind-sets, cognitive bases, schemata, cognitive structures, cognitive maps, and ways of thinking (Calori et al. 1994; Hellgren and Melin 1993). This research stream developed from March and Simon’s (1958) and Cyert and March’s (1963) behavioral theory of the firm. These authors argue that the cognitive base for decisions consists of assumptions or knowledge about future events, alternatives, and consequences of the alternatives.

According to bounded rationality, decision-makers may not have complete information about future events, alternatives, and consequences. Managerial value systems also affect the preferential ordering of alternatives and consequences. Building on this research, Hambrick and Mason (1984) argue that the cognitive base and value systems form the basis for management’s decision-making processes. In the same vein, Prahalad and Bettis (1986) introduce the concept of dominant logic, which reflects management frames of reference in decision-making processes. That is, a manager’s selective perceptions, limited field of vision, and interpretations filtered by the cognitive base and value system produce managerial perceptions of a situation (Huff 1990), which in turn form the basis for management decision (Schwenk 1984).

The cognitive models are processes that develop through managers’ past experiences. Entrepreneurs use these models to evaluate complex environments and to form selective perceptions that make acting on the information possible. Oviatt and McDougall (1994) suggest that having a global vision is the most important characteristic associated with born global managers. Gupta and Govindarajan (2002, p. 117) define a global mind-set “as one that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity.” Nummela et al. (2004) show the importance of a manager’s global mind-set for international performance. They find that managerial experience and market characteristics are important drivers of a global mind-set.

Similarly, Weerawardena et al. (2007) posit that the capability-building process in an INV is driven by entrepreneurs with global mind-sets. Evers (2011) further supports this view that INV entrepreneurs/managers possess certain dynamic attributes that drive the capability-building process to develop knowledge-intensive products for competitive advantage. She finds that INV entrepreneurs possess “networking capabilities” for knowledge and resource acquisition and international “market-focused learning capabilities” to better position their firm in niche markets. Market-focused learning capability reflects “the capacity of the firm, relative to its competitors, to acquire, disseminate, learn and integrate market information to create value activities” (Weerawardena et al. 2007, p. 300). Jones and Casulli (2014) discuss cognitive processes in international entrepreneurship. They maintain that comparison between newly encountered and previously known (experienced) situations (Holyoak and Morrison 2012) is especially relevant for international new ventures. As international new ventures are entering new unfamiliar markets, entrepreneurs turn to reasoning by comparison of new international activities with previously experienced domestic or international situations, and their own idiosyncratic life experiences (Jones and Casulli 2014). McGaughey (2007) showed that external information was not decisive for the entrepreneur's decision-making. Instead, the entrepreneurs had developed cognitive heuristics through their idiosyncratic life experiences that guided their decision, which led to their firms' different international development.

Research on managerial cognition focuses on how managers conceptualize information and how this, in turn, affects decision-making (Lyles and Schwenk 1992; Sadler-Smith 2004). Decision-makers shape their environment through enactment and meaning making (Rasmussen et al. 2001; Weick 1995). Following the above discussion, we propose the following:

> **Proposition 1**. *The INV entrepreneur's managerial cognition enables international opportunity recognition for international growth.*

Managerial social capital and networking capabilities

Alvarez and Busenitz (2001) underline the importance of the entrepreneur's social context. Intrinsic to entrepreneurial cognition is the individual's ability to get exposed and interact with different people and situations. Beneficial social interactions allow entrepreneurs to accumulate resources; this ability to bootstrap resources in an economical manner is a resource in itself (Alvarez and Busenitz 2001). Similarly, it has been argued that "the entrepreneur's reputation, capabilities, commitment, and conduct, as well as all the other components of human and social capital, are often determinants of his or her ability to attract resource partners" (Brush et al. 2001, p. 75).

Consequently, an important stream of research in entrepreneurship builds on the resource-based view of the firm and the relational approach and examines how various tangible and intangible resources are obtained through the entrepreneur's relationships (Jack 2010).

Social capital derives from relationships and can include influence, control, and power (for a review, see Adler and Kwon 2002). Social capital is closely connected with the relationship and network concepts, which are frequently used in internationalization literature. Much internationalization literature focuses on networks at the firm level (Håkansson 1982; Johanson and Vahlne 1990). Here, the focus is on networks at the managerial individual level (Andersson and Wictor 2003; Autio 2005). To succeed with an international growth strategy, firms require input from resources (Coviello and Cox 2006). To overcome limitations of newness and smallness, firms tend to explore distinct ways to leverage resources controlled by partners in networks (Chetty & Agndal 2007; Coviello & Cox 2006). The network literature distinguishes between different categories of relationships, such as strong versus weak (Granovetter 1973, 1982), business versus private, and local versus international (Keeble et al. 1998). In line with Söderqvist (2011), these categories are used not as distinct entities but as a continuum in which the dichotomies presented previously are the extreme values. According to Nahapiet and Ghoshal (1998), social capital is the sum of the actual and potential benefits, which can result from an individual's relationships. This article takes a broad view of the target group of managerial social capital by considering all types of stakeholders (Polonsky 1996) that influence dynamic managerial capabilities. Building on the work of Atuahene-Gima and Murray (2007) and Kemper et al. (2011), this article focuses on two dimensions of top management's social capital: managerial tie utilization and trust (managerial tie utilization characterizes "the closeness and interaction frequency of a relationship between two parties") (Levin and Cross 2004, p. 1478). Research on the establishment of new firms has shown that relationships are essential for the discovery of opportunities, the testing of ideas, and the gathering of resources for establishing the new organizational structures (Aldrich and Zimmer 1986). A major benefit of top management's relationships is the access they provide to information and resources. By interacting with external stakeholders, top management can derive important insights into the firm's environment.

Trust refers to the belief in the good intent, concern, competence, and capability of exchange partners (Nahapiet and Ghoshal 1998). Trust is a relational dimension of top management's social capital because it indicates the quality of the relationship among actors (Atuahene-Gima and Murray 2007). That is, trust is the expectations that another stakeholder can be relied on to fulfill obligations and will act fairly when the possibility for opportunism is present (Zaheer et al. 1998). Trust reduces uncertainty in a relationship, leading to cooperative intentions and providing reasonable assurances that desired goals and outcomes will be achieved from the relationship (Payan et al. 2010).

INV studies (Evers 2011; Weerawardena et al. 2007) found that the INV founder-managers possess certain dynamic attributes that drive the capability building process of the firm to develop products for competitive advantage. For example, the founder-managers possessed "networking capabilities" for knowledge and resource acquisition. Networking capabilities includes the ability to build trustful, interactive, and frequent relationship with stakeholders to acquire knowledge and resources. We propose the following:

> **Proposition 2**. *The INV entrepreneur's social capital enables international opportunity recognition for international growth.*

Managerial human capital and learning capabilities

Human capital refers to learned skills (Adner and Helfat 2003) and requires investment in training, education, or other types of learning (Becker 1964). Learning and knowledge creation are central to the understanding of entrepreneurial firms (Politis 2005). Managers' past work experience is important for acquiring knowledge. Thus, human capital involves learning-by-doing and requires practice (Mintzberg 1973). Empirical analyses that include managerial human capital often use indicators such as age and education, as does research on internationalization that connects managerial characteristics and experiences with firms' international performance.

Leonidou et al. (2002) identify managerial characteristics as important factors responsible for successful exporting. Bloodgood et al. (1996) find that greater international work experience among top managers was strongly associated with international performance of new high-potential ventures in the USA. Westhead et al. (2001) also find that older founders having more resources, denser information and contact networks, and considerable management know-how were significantly more likely to be exporters, especially when industry-specific knowledge and experience were of importance. Furthermore, McDougall et al. (2003) and Madsen and Servais (1997) both conclude that entrepreneurs' background and experience have a large influence on the establishment of born globals. In this respect, age may reflect the entrepreneur's lifelong experience and personal network. However, Andersson et al. (2004) find that younger entrepreneurs were heads of international firms more often than older ones. This result is not in line with previous research but suggests that the younger generation is being brought up in a more global environment, and as such, they may not consider national borders barriers to business opportunities.

Eriksson et al. (1997) find that liability of foreignness hinders a firm's international development and that institutional market knowledge (e.g., knowledge about language, laws, and rules) is necessary for successful international development. They also conclude that business market knowledge is related to a firm's business network. In line with this discussion, Johanson and Vahlne (2009) coin the concept the "liability of outsidership." They argue that market-specific knowledge is necessary for firms to enter a market/network.

Other researchers view other factors as more important for firms' international development. For example, Evers and O'Gorman (2011) argue that past experience may influence and shape the information an INV manager is alert to, although the information does not need to pertain directly to international markets, nor does the manager need to have a deep understanding of sector or international markets. Similarly, Ghannad and Andersson (2012) assert that managers' childhood experiences are important in their firms' development and that managerial capabilities do not need to be created through past professional or international experiences. Following the above discussion, we argue that managers' learning capability, that is, to learn from different experiences (e.g., work, study, and personal experiences), will affect their ability to sense international opportunities. We propose the following:

> **Proposition 3**. *The INV entrepreneur's human capital enables international opportunity recognition for international growth.*

Figure 1 illustrates how the interaction and dynamics between *managerial cognition*, *managerial social capital*, and *managerial human capital* that make up firms' managerial capability base (Adner and Helfat 2003). Figure 1 depicts how dynamic managerial capabilities through international opportunity recognition lead to international growth. Entrepreneurs can, through dynamic managerial capabilities, create and develop business models that recognize international opportunities and create value which leads to firm's international growth (compare Hennart 2014). To illustrate the dynamism in the model, a reverse arrow shows how international growth affects dynamic

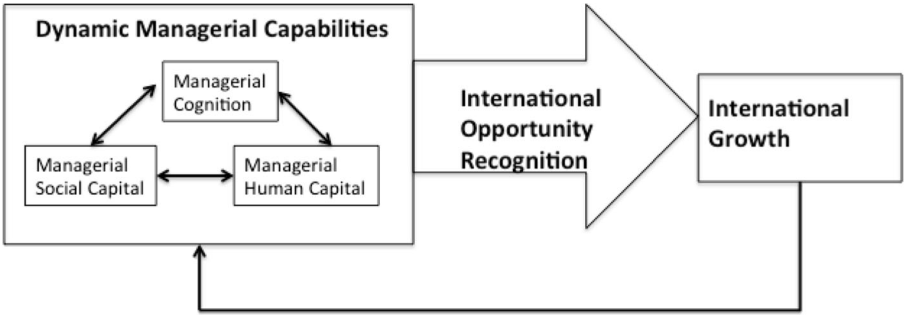

Fig. 1 INV entrepreneur's dynamic managerial capabilities, and international opportunity recognition

managerial capability. When the firm grows internationally, many new relationships are created with many different stakeholders. Such relationships can evolve and change rapidly, and some are more stable. Even weak relationships (e.g., new customers) can influence firm's international development. However, strong relationships (including trust) are needed to change managerial human capital and managerial cognition. The firm's international growth influences managerial human capital. Although managers possess experience corridors (Evers and O'Gorman 2011), attitudes, and knowledge acquired before the firm's internationalization (Ghannad and Andersson 2012), ongoing relationships help develop managerial human capital. Managerial cognition is the most stable of the three parts of dynamic managerial capabilities but is also the most important for strategic decisions. Managerial cognition forms the basis for the management decision-making process and entrepreneurial activity. Therefore, it can be argued that

> **Proposition 4:** *The INV entrepreneur's dynamic managerial capabilities based upon the interaction between their managerial cognition, and social and human capital enables international opportunity recognition for international venture growth.*

Figure 1 shows how the INV entrepreneur's capability base enables them to sense international opportunities and capture value from those seizing such opportunities (Teece 2007). Inspired by Schumpeter (1934), entrepreneurial action herein refers to a manager's innovation activity—that is, action to combine resources in a new way to deliver new value to a firm's stakeholders. Such value includes new products, services, and business processes, as well as old products in a new market, which comes from internationalization. Thus, in the current study, the entrepreneur's/manager's dynamic managerial capabilities create value through opportunity recognition for the international firms' stakeholders. That includes how the manager orchestrates assets, and designs and implements new business models, and how he/she organizes and leads the organization (Augier and Teece 2008).

Conclusions

This article contributes to the emerging field of capability development (Ambrosini et al. 2009; Gavetti 2005) and to the field of INVs (Jones et al. 2011). This study advances the resource-based and dynamic managerial capability research agenda by paying greater attention to the role of managers in strategic and organizational change. In particular, this study focuses on managerial capability development at the individual level. The focus on development over time provides a richer understanding of the interplay among managerial social capital, managerial human capital, and managerial cognition and international growth. This study also develops a model that shows how dynamic managerial capabilities create value through international opportunity recognition leading to international growth. That is, contributions are given to provide understanding of why firms are able to grow rapidly internationally.

This study used international new ventures as the context and thus provides implications for international business and entrepreneurship theory. Prior research has indicated the importance of management to firms' international development. By including concepts from dynamic capabilities theory, this study offers a better understanding of the internationalization of firms. The concept of dynamic managerial capabilities helps explain why international strategies differ between firms (Andersson 2000), but it also identifies how internationalization develops over time. Furthermore, this study reveals that different attributes of dynamic managerial capabilities are more or less stable and influence firms' internationalization processes.

Further empirical research is recommended to test the model developed herein. In line with Weerawardena et al. (2007) and Montealegre (2002), this study proposes methods (e.g., longitudinal case studies and observations) that follow individuals and firms over time, to capture how dynamic capabilities are adapted and reconfigured. Studies of serial entrepreneurs and of individuals who shift from managerial positions in firms owned by others and own firms will be fruitful, to explore how dynamic managerial capabilities develop over time. Both quantitative and qualitative data and analysis can be used to capture development over time.

Previous research has documented employment growth of small- and medium-sized enterprises and wealth generation contributions to domestic and global economies (e.g., Etemad 2004; OECD 1997). However, small firms are not as international as larger firms, and many small firms with competitive products do not grasp international opportunities, despite the increasing globalization (Andersson and Florén 2011). Many publicly financed programs aim to develop firm capabilities for international growth, but these initiatives have received mixed reception among firms taking part in the programs. Much of the criticism against these initiatives is that they are too general and not adapted for firms in different contexts and situations (Diamantopoulos et al. 1993; Evers and O'Gorman 2011; Leonidou et al. 2007). Managers and firms have different prerequisites to take part in these programs. The model developed herein could help policy makers target participants and develop programs that promote firms' internationalization. For example, it would be fruitful to target managers with an international mind-set in internationalization programs. These programs could include activities that improve both managerial human and social capital (e.g., provide support for taking part in trade fairs; Evers and Knight 2008).

Many new firms do not regard international opportunities as a serious growth alternative. Advice given by governmental actors and consultants is also often quite negative toward early internationalization. However, early internationalization can be a successful growth strategy for new small firms. The positive effect of an early internationalization is not only that a higher turnover can be reached. Competition in an international environment may create a culture in the firm that makes it possible to learn from international markets and generate knowledge that can be transformed to a competitive edge. Managers can by proactive international networking learn from activities in international settings. This will influence the managers' dynamic capabilities, which trough international entrepreneurial actions will lead to international growth. People's mind-sets develop from birth and thus affect people's business behavior later in life (Ghannad and Andersson 2012). To enhance an international or global mind-set, international activities, such as exchange programs between schools in different countries, should be implemented at primary and secondary levels of education. At the college and university level, international elements could be part of business and entrepreneurship courses to develop students' international business mind-sets.

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