

# International Opportunity Recognition of Entrepreneurs from Emerging Economies: Evidence from Indonesia

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## Abstract

International opportunity recognition is the fundamental concept to the field of international entrepreneurship (IE), yet the extant literature has limited of empirical studies in this area. This study employs five cases of internationalizing Indonesian SMEs in creative industries. The purpose of this study to examine factors that lead to the recognition of international opportunities. The paper finds that prior business experience, knowledge of international markets, social and business networks, serendipity, and innovativeness drive entrepreneurs to recognize international opportunities.

**Keywords:** international entrepreneurship, opportunity recognition, SMEs, Indonesia

## INTRODUCTION

The rise of small firms that are able to internationalize early and rapidly led to the birth of a new research stream “International Entrepreneurship” (IE) that combines theory and perspective of international business and entrepreneurship [1, 2]. The term of IE emerged in the late 1980s to reveal the empirical evidence that new ventures were able to engage in international business at or near their inception shifting attention from gradual to the rapid internationalisation process [3-5] Thus, [6-8] IE as “*the discovery, enactment, evaluation and exploitation of opportunities—across national borders—to create future goods and services*”.

The opportunity concept has been an important theoretical construct in entrepreneurship and IE research [8, 9] [10] define entrepreneurial opportunity as “*situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends or means-ends relationships.*” However, IE studies which investigate the process of international opportunity recognition (IOR) are scarce. IOR is defined as “*the emergence of the situational condition which immediately precedes formation of a commitment to proceed with an exchange in a new international market*” [11, 12]. Several studies undertaken in developed countries have examined the antecedents and the process of IOR, however, research in the IE field has mostly ignored the IOR from emerging economies, like Indonesia.

A growing body of research has suggested that entrepreneurship is an engine of economic, technological and social development either for developed countries or emerging economies [13]. The role of entrepreneurs in emerging markets in powering economic growth is undisputable. The World Bank’s chief economist predicts that the most notable emerging economies (i.e. China, Brazil, India, Indonesia, Russia, and

South Korea) will account for half of the world's economic growth by 2025 and grow faster at around three times the pace of the advanced economy countries (i.e. the USA, Japan, Germany) [14-16] The fast growth of emerging economies contributes to the global economy, yet our understanding on the role of entrepreneurs play in developing their countries is limited.

The current article fills the literature gap by exploring the factors that influence opportunity recognition of entrepreneurs from emerging economies. In doing so, several important contributions are made. First, this study contributes to the role of serendipity in the IOR literature. Second, the study takes place in an under-researched country, Indonesia, where entrepreneurs apply cognitive aspect of opportunity recognition during the internationalization process. Finally, this research answers repeated call to use qualitative methodologies to examine the opportunity recognition in the IE field [17, 18].

## LITERATURE REVIEW

### Opportunity Recognition in IE

IE literature highlights two ways in the process of opportunity recognition, namely the recognition of opportunities through deliberate search using a purposeful and systematic search process and through accidental discovery (serendipity discovery) [19-21] In contrast, some studies found that firms with limited knowledge and experience are able to recognize international opportunities through a systematic search [17, 22]. Moreover, opportunities can be recognized by high-tech firm through active planned and unplanned activities [23]. Family firms recognize international opportunity through a combination of accidental discovery with the purposeful search to reduce risk [24, 25]

Prior research has identified several factors that influence the opportunity recognition process, such as entrepreneurial alertness [26], prior knowledge [27], prior international experience [27, 28], self-efficacy [11], creativity [13, 26, 29], cross-cultural competence [30], language [31], entrepreneurial orientation [32], and social and business network [32, 33]. found that the firms with little or no prior international knowledge or experience recognise the first international opportunity are primarily due to serendipitous discovery rather than deliberate search. Further, IE scholars agreed that serendipity becomes a key role in international foreign market entry when entrepreneurs have limited knowledge about foreign markets [32, 34].

### Serendipity in entrepreneurship

In the entrepreneurship literature, serendipity is defined as a search leading to unintended discovery [23]. IE scholars have found that two ways in discovering international opportunities: systematic exploration and spontaneous recognition [21, 24]. Serendipity occurs between these two ideas: individuals are searching for something when they are accidentally finding something that they were not looking for [23].

## METHODOLOGY

This study employs a multiple case study to investigate the process of international opportunity recognition with a sample of Indonesian small and medium-sized enterprises (SMEs) operating in creative industries. The Multiple case study is suitable and useful to uncover an in-depth a contemporary phenomenon within unique institutional environments, like in emerging economies [35]. creative industries as a part of the creative economy can contribute positively to increasing added value, job creation and export earnings. These industries accounted for 7.38% of the total national GDP in Indonesia, which, in 2016, was worth \$66.80 billion. In

term of export, this industry also contributed to the export value of \$ 20billion in 2016, an increase of 3.23% from 2015. There are success stories from some entrepreneurs in creative industries who have run business in foreign markets[30, 36]. However, scant research has been done to understand how and why some Indonesian entrepreneurs can expand their market overseas while others do not. Through in-depth interviews, data were collected from five cases from the creative industries (e.g. fashion, crafts, and art performances) in 2019-2020, see Table 1. Then, data were analyzed through within and cross-case analysis to see patterns of the factors that led to international opportunity recognition.

Table 1

**Respondents' profile**

Case/location	Sector	International experiences (years)	Foreign countries served
A/ Jakarta	Fashion	6	America, Japan, Europe, Australia
B/Central Java	Craft	6	Saudi Arabia, Singapore, Puerto Rico, Chili, Brunei Darussalam
C/West Java	Fashion	11	USA, Malaysia, Singapore, Australia, France, Japan, the Netherlands
D/West Java	Fashion	5	Malaysia, Japan, the UK, and USA
E/West Java	Art performance	> 22	China, Sweden, Korea, Australia, Saudi Arabia, Korea

Source: author

**FINDINGS**

Across the five cases, this study identified some concepts that are important for the international opportunity recognition: knowledge from business experience, knowledge from networks (business and social), serendipity, and entrepreneurial orientation. Entrepreneurs recognized international opportunities based on knowledge acquired through their networks, prior business experience, and serendipity. This study supports the current article that entrepreneurs steered their companies toward the internationalization gained from knowledge of potential international opportunities[7].

**Knowledge from (international) business experience**

The basis for understanding international markets and recognize international opportunities is through knowledge[37]. The finding demonstrates that entrepreneurs recognize international opportunities based on knowledge gained from prior business international experience, as the following quote from the entrepreneur A indicates:

*"I saw the differences in demand from country to country. For example, there are some different fashion tastes between American and Japanese, where American customers usually order colourful bags, but Japanese tend to buy dark brown bags"* (Entrepreneur A).

### Knowledge from networks

Firms are often engaged in social and business networks to access various types of information and ideas. External networks, such as professionals, government officials, business associates, buyers, angel investors and clients are also critical in the acquisition of international opportunities. Entrepreneur B described that he recognized international opportunities through her existing foreign buyer (business network):

*“Foreign buyers often shared information about foreign customers’ preferences, like what they like. So, that information is beneficial to develop a new product for next year.” (Entrepreneur B)*

In addition, entrepreneur C stated that his social networks introduced him to potential foreign customers:

*“We got orders from overseas from friends of friends. Next week the customer from Malaysia will come here. She has stores in Singapore and Malaysia that sell products from Indonesia.” (Entrepreneur C)*

### Serendipity: social media

Serendipity played a role in pursuing international opportunities. Entrepreneurs’ alertness and actions toward serendipity can lead to foreign market entries. One of methods in triggering serendipity is social media. The rapid penetration of internet and social media in Indonesia triggering customers shopping online. The vast growth in the number of smartphones users and internet penetration are more likely becoming foremost factors that support the development of social media based trading or social media. Facebook and Instagram become the most widely used social media by entrepreneurs in Indonesia to promote their business. The use of internet has opened the opportunity to new ventures to make their business reaching the global market. For example, the firm R offered fashion products and benefited from Facebook in discovering the first international opportunity.

*“I exported a lot of products to Malaysia in 2014. I produced products using raw materials from the buyer with her own brand. She owned a batik village there. When she travelled to Yogyakarta and saw our products that were displayed on the store in Yogyakarta, and she searched us through Facebook messenger. Then, she contacted me and made a deal only through a phone.” (Entrepreneur D)*

### Entrepreneurial orientation

This study supports for one of concepts of entrepreneurial orientation: innovativeness[38]. Innovativeness demonstrates the tendency of entrepreneurs in provide new ideas, creativity, novelty and experimentation resulting new products/services.

*“Sweden clients were amazed and excited when we were able to perform instruments with mixed songs. We arranged traditional and dangdut songs with Western songs. That became our added value.” (Entrepreneur E)*

### DISCUSSIONS AND CONCLUSION

The preceding findings lead to some key factors that encourage entrepreneurs from emerging economies to recognize international opportunities. First, knowledge about international markets is crucial in understanding the demand and preferences of foreign customers. The recognition of international opportunities is based on knowledge of international markets based on prior business experience is consistent with the findings of [21, 32] and through networks is in line with [39]. Second, case studies provide a new finding that social media is a platform that opens to

serendipitous opportunities. Previous studies have reported that firms that adopt internet-based channels can assist firms to access potential customers globally [40]; however, they have not discussed the use of social media and lack empirical evidence in IE research. Finally, this study shows that Indonesian entrepreneurs have entrepreneurial orientation in terms of innovativeness in recognizing international opportunities. When entrepreneurs have high levels of entrepreneurial orientation, they tend to be innovative and creative to compete in global markets. Therefore, this study is consistent with prior studies [41, 42] that innovativeness is important during internationalization process.

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