THE ROLES OF ENTREPRENEURIAL ALERTNESS, PRIOR KNOWLEDGE AND SOCIAL NETWORKS IN THE PROCESS OF OPPORTUNITY RECOGNITION (SUMMARY)

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SUMMARY

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Principal Topic

Entrepreneurial alertness has been identified as a major factor in the process of opportunity recognition, but the components of alertness and the relationships between this and other factors are still ambiguous. Furthermore, limited empirical testing exists to validate the alertness construct (Mitchell et al., 2007; Tang, 2008). We attempt to reveal the critical role of alertness in the opportunity recognition process. This study defines entrepreneurial alertness as a kind of cognitive ability for perceiving and interpreting market information (Gaglio & Katz, 2001). We investigate the different types of prior knowledge (ways to serve markets, customer problems, markets, technology (Shane, 2000; Marvel & Lumpkin, 2007) and social sources of information (mentors, informal industry networks, participation in professional forums) (Ozgen & Baron, 2007) that are associated with entrepreneurial alertness (perception and interpretation ability) (Kirzner, 1979; Gaglio & Katz, 2001). Our findings suggest that entrepreneurial alertness is linked to the innovativeness of the opportunities recognized.

Method

Participants in the study were founders of Taiwanese start-ups registering with the Ministry of Economic Affairs between June, 2008 and November, 2008. We randomly mailed a structured questionnaire to 1,000 entrepreneurs in December, 2008 and 114 valid returns were obtained. We used hierarchical regression as the statistical technique to test the hypotheses.

Results and Implications

Results indicate that prior knowledge of customer problems and markets, and social sources of informal industry networks had positive effects on entrepreneurial alertness (perception and interpretation ability). Moreover, interpretation ability was positively associated with the innovativeness of the opportunities. In addition, we found that the relationships between prior knowledge of markets and opportunity recognition were partial mediated by interpretation ability. Our findings have implications for theory and for entrepreneurs. We suggest that entrepreneurial alertness may provide valuable conceptual tools for understanding the process of opportunity recognition. Some individuals are better able to recognize innovative opportunities than others because they have better ability to perceive and interpret information.

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